The NATIONAL UNDERWRITER

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Cal. Department Compilation Shows 9-Month Gains

Stock Companies Loss On Underwriting $155 Million; Non-Stocks Gain $171 Million

The California department compilation of results for the first nine months of 1958 indicates a considerable improvement in underwriting, although the stock companies continued to lose money in large sums.

Total earned premiums for all companies in the first nine months (443 companies) amounted to $7,070,646,976 compared with $6,762,091,621 in the first nine months of 1957 (455 companies). The figures are for nationwide operations of companies licensed in California.

Last year the nine-month aggregate underwriting loss was $202,548,222 and the surplus loss was $682,283,782. As of Sept. 30, 1958, there was an underwriting gain of $15,717,623 and an increase in surplus of $1,060,729,685. However, the non-stock insurers had an underwriting gain of $171,127,419 while the stock companies had an underwriting loss of $155,409,787.

Domestic Insurers' Figures

The 47 California domestic companies reported earned premiums in the first three quarters of $329,174,660, an underwriting loss of $9,603,285, an investment gain of $27,540,619, surplus increase of $29,915,590. California's 13 domestic reciprocals had earned premiums of $166,049,131, underwriting gain of $4,115,715, surplus increase $5,404,870.

Foreign and alien stock insurers (304 companies) reported earned premiums of $5,063,658,447, underwriting loss $145,806,511, investment gain $367,750,404, surplus increase $935,641,042.

Foreign mutuals and reciprocals (114 companies) had earned premiums of $1,511,764,738, underwriting gain $167,011,704 ,investment gain $65,131,656 and surplus gain $89,683,773.

Surplus increase for all companies reflects not only underwriting and/or investment gains or losses, but unrealized profits or losses on stocks owned, dividends paid to policyholders and stockholders.

Mass Marketing Mania May Have Put Homeowners C In Wrong Hands

By JOHN N. COSGROVE

Convention speakers and others in the business seem to be preoccupied with the term "mass merchandising." They refer to that practice in American business and seem to imply that insurance can be sold on the same basis without qualification. These proponents of mass selling may be overlooking the fact that insurance has a peculiarity which distinguishes it from practically all businesses—selection of customers, or underwriting.

A TV set manufacturer or a washing machine maker does not care who buys his product, provided they can pay for it. On the other hand, an insurer's worries only begin after the product is purchased. This is so fundamental and elementary that it may often be overlooked.

The insurance business for some years has merchandised to the entire dwelling market. It offered basic fire and extended coverage, and homeowners A, B and C, as well as the personal property floater and other package policies. When homeowners A and B appeared on the market, one wag observed that anybody with two thumbs could write the policy. One thumb held the manual, and the other followed the dwelling values down a column and across until the charge was identified. Unfortunately, this underwriting prescription apparently found some adherents who extended the principle beyond the A and B forms to C. They may have overlooked the fact that with each new coverage added to a package the importance of customer selection grows in direct proportion.

Mistake In Merchandising

Homeowners C was designed and introduced as a luxury market cover. But the very fact that it is a package conveniently handled and sold has led some producers to place it with insured for whom it was never intended. Some companies accepted the business on that basis, and when

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Commissions On N. Y. Auto Are In State Of Flux

Scales Still Subject To Change, No Well-Defined Pattern Has Emerged

With no rate relief in the immediate foreground for automobile insurers in New York, the auto underwriting picture in that state is as dismal as any area in the country. Though there are other congested spots in which conditions are gruesome—such as Dade county, Fla. (Miami), Cook county, Ill. (Chicago), and Harris county, Tex. (Houston), New York City metropolitan still is winning the prize for being the worst.

Country-over, those interested in automobile have been watching closely the impact of underwriting conditions in New York on commissions. There have been a number of changes in the commission percentages. But the indications are that (1) these changes still are being made, (2) there is a great variety in what companies are doing so that no general pattern has emerged, or is likely to, and (3) the commission scale does not necessarily indicate that an insurer is interested in continuing to write as many automobiles as it did a year ago in this state. So far as can be determined, no companies are seeking to write more business than they did a year ago—and many are writing less.

America Fore Schedule Well - Known

Perhaps the most interesting commission schedule and one that has had wide publicity is that of America Fore. An unusual feature of the schedule is that it is flat for all lines; that is, the same percentage is paid for BI, PDL and PHD. Several years ago one insurer made the impressive discovery that by paying one percentage of premium for two lines, BI and PDL, it saved some thousands of dollars a year in one branch office alone, because it did not have to compute and account for two percentages, 17.5 and 20.

The America Fore schedule in the

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"I THOUGHT YOU'D LIKE TO TAKE A LOOK AT YOUR REPLACEMENTS, WEAKCHIN."

Ohio Department Approves New Homeowners Policies

COLUMBUS—The new homeowners program has been approved in Ohio but will not be available for use for several weeks. The insurance department's blessing was made as of Jan. 6, but manuals, forms, etc., must still be printed, a matter of upwards of three weeks.

Proceed With Bureau Filing Procedure On Multiline Packages

Inter-Regional Insurance Conference is proceeding to implement the multiple line filing procedure as outlined in the so-called bureau report at the New Orleans meeting of National Assn. of Insurance Commissioners. The conference is recommending the procedure to regional organizations and the rating bureaus, and the latter in turn will file the procedure with the departments.

Basically, the plan is for one bureau to act, by designation, for other bureaus whose lines are involved in a filing, and for companies which may not be members of all of the rating bureaus involved. Where departments do not approve this procedure, the present hand-in-hand filing procedure will be continued.

The independents, it is understood, will proceed to file multiple linepackages as separate coverages, in line generally with the NAIC M-1 report.

Crafts Comments On Implications Of Cal. Agents' Suit On Auto Commissions

A statement expressing concern over the effect the anti-trust suit of the California agents against their companies will have on the American agency system was issued by President James F. Crafts of Fireman's Fund Indemnity shortly after the complaint was filed in San Francisco Dec. 30. Fireman's Fund Indemnity is one of the seven companies named by the agents as a defendant in their federal case arising from their irritation over a reduction in commissions.

Mr. Crafts noted that for many years "the association between the capital stock insurance companies and their agents has been one of mutual respect and understanding. Heretofore there has been little occasion to establish the respective legal rights of the insurance partnership of principal and agent."

He went on to say that commission

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Paul Hammel, NAIC V-P, Is Stricken By Heart Attack

Paul A. Hammel, Nevada commissioner, was stricken with a heart attack Christmas morning and is in the hospital in Washoe Medical Center, Reno. His condition was at first described as critical, but at the beginning of this week it was announced that he is making a good recovery.

Only the week before Mr. Hammel was stricken, Arch E. Northington announced his resignation as Tennes-

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1958 RUNDOWN

Health Care Coverage Continues To Expand; Benefits Climb 14%

Health insurance in the U. S. during 1958 continued the steady growth it has maintained for the past 20 years and, according to Health Insurance Institute, established a new record with an estimated $4.8 billion in health care benefits, surpassing 1957 benefit payments of $4.2 billion by more than 14%.

At the same time, the number of Americans covered for hospital and doctor bills through insurance company programs, Blue Cross-Blue Shield and other health care plans was estimated at 121 million at the end of 1958. Some 70% of the nation's population now has some form of health coverage, the institute said.

"Growth And Development"

While health insurance recorded consistent growth and development over the last two decades, the Institute noted, 1958 stands out stronger than other years because of the advancement in so many different areas by all health insurance organizations.

Substantial progress was made last year in providing sound programs for persons over age 65 through employer-sponsored group plans as well as individual health policies, the institute said. Health coverage for elderly retired persons is rapidly becoming as prevalent as it is for the employed population, as shown by the fact that the growth of coverage for the aged population has in large measure come about in the last five years.

More Permanent Coverage

The institute said that gains in coverage also were noted for individual and family policyholders, employes of small business firms and for people living in rural areas. Also noted was a definite trend among health insurance companies to develop coverages that are of a more permanent nature, as greater experience is gained with this relatively new form of protection.

The institute estimated that the total amount of benefits paid by insurance companies, alone, through the end of 1958 rose to an unprecedented $2.6 billion, an increase of more than 10% over 1957.

Growth in the number of persons covered by insurance companies continued on most levels. Reports from the 700 companies writing health coverage in the U. S. showed that the number of persons covered for major medical expenses climbed from 13.3 million to 16.5 million, an increase of nearly 25%.

Another increase was shown in regular medical expense coverage where the number of persons covered grew by an estimated 500,000 over the 1957 figure of 33.2 million. The number of persons covered for surgical expenses, the institute noted, remained constant at 67.5 million.

Of the estimated 121 million persons protected by all insuring organizations against hospital expenses, some 70.1 million were covered under insurance company policies. Some 32 million employed persons were covered for loss of income.

The institute also pointed out that a 1958 study by the Department of Health, Education & Welfare revealed progress in providing persons over 65 with health coverage and showed that the number of older persons with health insurance was growing at a much faster rate than the senior citizen population itself.

The government report disclosed that the number of Americans age 65 and over increased by 13% from March 1952 to September 1956, while the number of senior citizens covered by health insurance went up 56%. The institute estimated that 40% of the persons in this age category now have health insurance.

Progress also was reported in the rural areas of the nation, where the farmer was found to be rapidly catching up to the city dweller in the amount of money he spends on health coverage. Government figures during the year show that farm families in 1941 spent an average of $15 a person for medical care, less than half the $32 spent for members of urban families. By 1955, the individual spending level for farmers was $63, or nearly 80% of the estimated $81 paid out by city people.

An institute consumer survey revealed that two out of every five American families with health insurance have used their coverage in the past year to help defray medical expenses. The survey also showed that seven out of 10 families who have health insurance have used it at some time during the period when their policies were in force.

Urges Subscription Policy Use As Money, Work Saver For Fire Risks

T. E. LaClair, manager of the fire and engineering department of Blumberg Brothers Co. agency of Detroit has written to describe the advantages of the subscription policy, directing his comments to "those key people in our company ranks who had the vision and courage to eliminate and reduce company operating expenses which added nothing to our final product."

(A subscription policy, designed for larger risks, allows the agent to put any number of companies on a risk without having to deliver to insured an equal number of policies. Instead of issuing several policies, the subscription form permits each participating company to take a percentage of the risk.)

Mr. LaClair writes:

Our agency expense ratio has been on an inflationary binge as has the company expense ratio. In addition, there is discussion of income reduction which would compound agency problems. We feel that both company and agency people alike will agree that company operations must be profitable to secure investors; and agency operation must also be profitable to bring fresh blood and qualified talent into the agency field. Without qualified perpetuation, our company-agency future, retention and growth is not as promising as it can and should be. We need expense reduction too! Unfortunately, one of the greatest non-productive expense producers we have today is the old horse and buggy method of policy production—one that too many fire insurance people won't consider changing.

After many months of objective analysis of the subscription policy used in Canada and California, we sincerely believe the merits of this mechanical change deserve thoughtful consideration by those interested in expense reduction.

Why is the subscription policy so important to us? It is important to us because it will provide a reasonable vehicle to achieve the goal we have planned. We firmly believe our best interest, and that of each company in our office, will best be served by the program we instituted two years ago. The lesson we and many other agents and companies learned in 1956 was a hard one. Placement of lines with our companies on the basis of what they would take, as done by most agents, caught up with us. We lost several companies. The accounts they were on for maximum lines went for totals—yet our over-all loss ratio was excellent. We spent months taking bordereau placements and analyzing the why, to prevent such a catas-

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Law Retires As V-P Of Springfield F.&M.

Sidney F. Law, vice-president of Springfield F.&M., who is retiring after 48 years with the company, was honored by fellow officers at a luncheon. He has been a special agent, superintendent of the automobile and inland marine department, assistant secretary, secretary, and vice-president since 1955.

Metropolitan Life V-P On Coast Sues S. F. Mayor For Slander

Henry E. North, vice-president of Metropolitan Life in charge of Pacific coast operations, on Dec. 31 filed a suit for $1,300,000 against Mayor George Christopher of San Francisco, charging slander.

The suit is the result of a feud started when Mayor Christopher took offense at actions of the San Francisco county grand jury which completed its term Dec. 31 and of which Mr. North was foreman.

Called "Drunken And Incoherent"

Mayor Christopher called Mr. North "drunken and incoherent," "fixable," and "not qualified to investigate anything."

Mr. North and Mayor Christopher clashed when the grand jury announced that it was going to investigate the action of the city in adopting a $15 million project for building a new park to accommodate its new major league baseball team. When this investigation was announced, the mayor attacked the idea, making Mr. North the target and charging that Mr. North had precipitated the investigation "to discredit my administration."

Employers Liability has moved its Hyannis, Mass., office to 396 Main street.

New Ohio Handbook Is Published

A new Underwriters Handbook of Ohio has just been published by the National Underwriter Co. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout the state. Copies of the new Ohio handbook may be obtained from the National Underwriter Co., at 420 East Fourth street, Cincinnati 2, Ohio. Price $12.50 each.

North America Group Shows Gains For '58, Diemand Reports

In a review of expected 1958 results and a preview of indications for 1959, John A. Diemand, president of North America, stated that the group's assets rose above $1 billion in the past year. He said that while definite statistics are not yet available, estimates indicate that North America and Indemnity of North America wrote premiums of approximately $345 million in 1958, an increase of about $22 million over 1957. Investment income, before taxes, will be about $28 million.

Mr. Diemand said that authorization will be sought from stockholders at the annual meeting in March to increase capital from $30 million to $50 million.

He reported that the group will show an operating profit for 1958, although it will have a statutory underwriting loss, due largely to increased writings. The combined loss and expense ratio for the two companies will be about 99%.

Experience By Lines

Fire business was good during the year. Ocean marine showed a moderate profit, while inland marine continued the poor showing of 1957. It shows signs of improving, however, and if current trends continue, it should produce a reasonable profit in 1959. Automobile liability business was not good, and the continued high frequency and severity of traffic accidents exert an inexorable pressure for rate increases, Mr. Diemand declared.

In its first full year of operation, Life of North America wrote more than $50 million of ordinary paid life, he reported. Paid group life writings will approximate $84 million.

Mr. Diemand said that the installation in 1958 of a large electronic data computer was significant to policyholders and to agents. Faster and

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Howard Bailey Retires After 45 Years In Wisconsin Field

Howard W. Bailey, state agent in Wisconsin of Pacific of New York group has retired after nearly 45 years in the field.

Mr. Bailey, who recently has been in charge of Milwaukee county for Pacific, began his insurance career while still attending high school at Newark, working for American, with which company his family was connected for about 70 years. He began his Wisconsin insurance career as resident manager of the Lumber Mutuals, and in 1920 he joined the old Auer agency as secretary and manager of the insurance department. He was in the Wisconsin field for Northwestern National and Dubuque F.&M. before joining Pacific in 1944.

Former Wisconsin MLG

He is a past MLG of the Wisconsin home nest of Blue Goose and for many years has been chairman of the welfare committee.

Mr. Bailey's successor in the Wisconsin territory is William Meier, who has been traveling in Wisconsin and will now take over Milwaukee county.

F. J. Pocquette, secretary at Chicago, and the field and office associates of Mr. Bailey honored him at a luncheon at the Chicago Yacht Club, and presented him a handsome humidor and a wristwatch.

Kaufman Manager At Harrisburg

M. Palmar Kaufman has been appointed manager of the newly opened Harrisburg, Pa., office of Reliable of Dayton.

Survey Asks Insurers For Fact, Opinion On Expenses And Possible Cost Savings

A study of fact and opinion about expenses has been compiled from the answers to a questionnaire completed by executives of 82 agency insurers. The results of this survey were discussed by Edgar E. Isaacs, vice-president of Atlantic Mutual, at the annual meeting of Society of CPCU in New Orleans. A. Leslie Leonard, dean of the school of Insurance Society of New York, was moderator of the panel at which Mr. Isaacs spoke.

Among the points brought out in the survey were:

—34.8% of the agencies and brokerage firms of these 82 insurers produced $2,625,000,000 of their 1957 premiums, 65.2% of the producers accounted for only 20 to 25% of their companies' volume of $875 million.

—Only 11 insurers averaged as much as $20,000 or more per production unit.

—49 companies do not believe their average agent merits the present rate of commission those companies pay.

Other points touched on by the survey include cost of maintaining an agency, expenditures for advertising, ratio of company expense to company salaries, flat cancellations, producer claim handling, and number of field men and volume each is expected to serve.

In 10 years, despite the urgency of substantially reducing insurance sales and administrative expenses, Mr. Isaacs declared, the business has not made any worthwhile gain in its struggle with expense reduction. The few notable exceptions are principally among insurers which operate through exclusive agents or employe-salesmen.

Agency and company men are fully agreed that the expense loadings underlying rate making in most lines must come down. Beyond that agreement in principle, however, there is great controversy.

Allstate, Farmers of Los Angeles, Nationwide and State Farm increased their premiums written, 1953 through 1957, by 55.3%. And while agency stock companies and their producers were struggling to live within the 45.5% portion of the premium allocated to all expenses, these four companies posted an expense ratio just under 33% on the basis of premiums adjusted to manual rate levels.

Expense Dilemma Serious

The expense dilemma is serious, Mr. Isaacs observed. To preserve the agents' present take home pay, all possible economy in handling costs should be effected.

The replies to the questionnaire in most cases present the views of several highly placed individuals in each company organization.

Companies replying consisted mostly of stock insurers. Replies were considered as one for a group. The distribution by premiums written was: 36 under $10 million, 19 $10 million to $25 million, eight $25 million to $40 million, three $40 million to $65 million, three $65 million to $100 million, six $100 million to $150 million, four $150 million to $250 million, and three more than $250 million.

Cost Of Maintaining Agency

Question: What is the average annual cost of maintaining and servicing an agency connection (licensing, supplies, mailing lists, service calls of field men, etc.)? The average was approximately $200.

What percentage of the company's agency plant produces 75 to 80% of total current volume of premiums? Here 14 said less than 25%; five, 25 to 30%; 18, 30 to 35%; six, 35 to 40%; 14, 40 to 50%; four, 50 to 60%; and 10, 60 to 75%.

What is the approximate total number of agency or brokerage sources? Answers: 29, less than 1,000 producers; 23, 1,000 to 2,000; five, 2,000 to 3,500; nine, 3,500 to 6,000; seven, 6,000 to 9,000; three, 9,000 to 12,500, and five, more than 12,500.

The 82 companies reported total production sources of 323,443, Mr. Isaacs said. Assuming the average independent producer represents eight companies, or groups, there are 40,000 production sources in these figures. Of the 40,000, 34.8%, or 112,558, accounted for 75 to 80% of the aggregate premiums of these insurers. This means that about 35% of the production forces produced $2,625,000,000. But the remaining 65.2% of the producers accounted for only 20 to 25% of a volume of approximately $875 million.

Assuming an average annual cost of $200 for maintaining and servicing an agency, Mr. Isaacs pointed out, 112,558 agents cost their companies in production overhead for direct servicing expense (i.e., not including company supervisory production personnel, about $22,511,600. This is .86% of premiums produced by this group. On the other hand, 210,885 producers cost $42,177,000 to service, or 4.82% of volume.

What is the average premium volume per production source, agency or brokerage firm? Six reported $2,000 to $3,000 per year; 16, $3,000 to $5,000; 12, $5,000 to $7,500; eight, $7,500 to $10,000; 14, $10,000 to $12,500; six, $12,500 to $15,000; eight, $15,000 to $20,000; and 11, more than $20,000.

Mr. Isaacs concludes from these figures that the best interests of the business and the public would be served by companies pruning their agency plants and eliminating the part-timers, the non-professionals, and fringe operators. The agent should surrender his connection with any company that he does not plan to build to a respectable volume—a minimum of $20,000 to $25,000 for a multiple line connection.

He is convinced that producers who maintain accounts with volumes of $3,000 to $5,000 and have no honest intention of increasing their activity with that company are doing the buyer, themselves and the company a grave disservice. The 82 companies report their total number of special agents at 6,219. How many of these men could be transferred to other duties and how many points would be saved in "other acquisition expense" if companies eliminated the costs of

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Tax Problems Created By Allocation Of Direct Damage, Business Interruption Loss

Tax court of the U. S. has partially upheld the commissioner of internal revenue in his tax treatment of an insured's loss recovery of $125,000 of which the insurer allocated $25,000 as direct damage and $100,000 as business interruption loss. The court approved the collector's tax procedure with regard to the $100,000 but rejected his treatment of the $25,000.

The petitioner in the case was Marcal Pulp & Paper Co., a paper manufacturer of East Paterson, N. J. It is a wholly owned subsidiary of Marcalus Manufacturing Co. Marcal contested two adjustments to its net income in the total amount of $125,000 for its taxable years ending July 31, 1952 and July 31, 1953. The question before the court was whether Marcal received an amount includible in net income as the result of receipt of the $125,000 in settlement of a blanket claim arising out of an accident to its machinery, and if so, in which taxable year and in what amount.

Marcal and Marcalus held a policy issued by Mutual Boiler & Machinery, which provided coverage against direct damage caused by accident and also against business interruption.

Several qualifying conditions affected Mutual's liability. Direct damage losses were limited to the actual cash value of the property at the time of the accident, this amount to be ascertained with proper deductions for depreciation. Business interruption liability was limited to actual loss sustained, which was defined as net profit, fixed charges and other continuing expenses and expenses necessary to reduce loss. (In addition, Mutual's over-all liability for business interruption was limited to $459,756, and its liability per accident for direct damage losses was limited to $150,000.)

On March 22, 1952, a seven inch longitudinal crack appeared in the outer shell of a dryer roll which Marcal used in its paper making machine. Marcal informed Mutual of this damage, and investigators were sent to the factory. After discussion with Marcal engineers, Mutual decided that the old dryer roll should be repaired. Mutual was of the opinion that it was not liable for the type of defect which had caused the damage. However, it had found that as a business matter it was unwise to permit a damaged machine to stand idle while it contested liability. Mutual therefore elected to repair the damage to the old dryer roll, which it did by welding the crack within the period of grace permitted in the policy. Marcal resumed production.

While the repair was not entirely successful, it permitted the paper machine to continue in service, and, according to Marcal's production records, it soon resumed at close to normal output average. Over a period of three years, production averages were greater than before the damage.

Agree On Settlement

Following the accident, Marcal made a claim upon Mutual for total reimbursements of $250,000. In the negotiations, Mutual held that the damage to the old dryer roll resulted from a gradual fatigue cracking of the metal, whereas Marcal claimed the damage resulted from a sudden cracking due to internal pressure. Presumably, the term "accident" was defined in the policy to cover the latter risk but not the former. Negotiations led to a compromise settlement of $125,000. No allocating of this amount was agreed upon by the parties, but Mutual allocated $25,000 to direct damage and $100,000 to business interruption for purposes of its records and to conform to state insurance reserve requirements.

Marcal subsequently placed an order for a new dryer roll to replace the damaged property. Accessory parts were ordered at the same time. The new equipment was received in the summer of 1955. The old dryer roll was removed from the paper machine,

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Palmer Gets Money For Three New Employes

Commissioner Alden C. Palmer of Indiana appeared before the state budget committee to seek funds for the hiring of three additional personnel for the department. Apparently his presentation was a good one, for he not only got the money he sought, but he also received a $1,000 raise for himself, which he did not seek. Mr. Palmer was emphatic in his insistence that he accepted the commissioner's job at the going salary of $9,500 and was not seeking more money for himself. But the budget committee unexpectedly raised the salary to $10,500. Mr. Palmer admits that this adjustment will make the job more attractive for future commissioners.

The new departmental funds will be used to hire an assistant for securities, an auto-casualty assistant, and a field investigator, whose job will be to investigate complaints.

The state of Indiana has been notoriously niggardly in allocating funds to its insurance department. The action of the budget committee was hailed as a step in the right direction in bringing Indiana in line with other states of comparable revenue.

Lightfoot In Ga. Field

Pearl has appointed E. R. Lightfoot state agent for Georgia, at Atlanta to succeed Ottis H. Wesley who has retired after 23 years with the company. Mr. Lightfoot has been state agent in North Carolina.

Auto Rates Are Cut In Utah And Nevada

National Bureau of Casualty Underwriters and National Automobile Underwriters Assn. have revised auto rates in Nevada and Utah, effective Jan. 7.

In Nevada, National Bureau reduced private passenger car rates for all classifications by an average 19%. Reductions range from $10 to $36. Rates for commercial cars are increased 12% and for garage broad coverage are increased 25%.

NAUA reduced PHD rates almost 8% in Nevada. The discount is 55% (previously 40%) for $50 deductible comprehensive. Commercial auto fire rates have been reduced 10%, and for commercial risks operating within a 50 mile radius of the garage, collision is reduced a little more than 9%.

Utah Changes

In Utah, National Bureau has reduced private passenger rates 11%. Reductions range from $4 to $14. Rates for commercial cars and for garage broad coverage are reduced 3%.

NAUA has reduced PHD rates 1% in Utah. In Salt Lake City, private passenger auto rates for $50 and $100 deductible collision are reduced approximately 8%. Elsewhere in the state, $50 deductible remains unchanged and $100 deductible is increased 5%. The discount is 55% (previously 40%) for $50 deductible comprehensive. Commercial auto fire rates are reduced 10% and commercial comprehensive, depending on distance of operation, are increased up to 20%.

'58 LPRT Applications Are Ahead Of Last Year

The rate of Leading Producers Round Table applications arriving at International Assn. of A&H Underwriters headquarters indicates the 1958 qualifiers will pass last year's record of 226, according to LPRT Chairman J. Will Paull, Detroit Mutual. Deadline for applications is March 1.

Qualification amounts are $10,000 for the bronze award, $15,000 for the silver award and over $20,000 for the gold award.

Mr. Paull urged all potential applicants to check their A&H association membership status before submitting their entry. LPRT by-laws state that all qualifiers must be members of the IAAHU for the entire period for which application is made and at the time the award is presented.

Qualifiers will be announced at the IAAHU annual convention, June 14-17, in French Lick, Ind.

Settle BI Suits Vs Martin Co. Growing Out Of 1948 Crash

Martin Co. of Baltimore announced the settlement out of court of five damage suits growing out of the crash in 1948 of a Martin 202. The plane, operated by Northwest Airlines, crashed near Fountain City, Wis., Aug. 29, 1948, killing 33 passengers and three crew members. The five suits asked for $1,005,537, but the company did not indicate the amount of settlement.

Indemnity of North America was the products liability insurer of the Martin Co.

Approve Conn. PHD Rate Cut; Eye BI, PDL

Commissioner Premo of Connecticut has approved a filing by National Automobile Underwriters Assn. for revised automobile fire, theft, collision and comprehensive rates. The rates are reduced statewide by an average of more than 3%. Mr. Premo said the recent schedule filed by National Bureau of Casualty Underwriters for an increase in auto liability rates is still under study.

Among the changes in the approved schedule was a reduction of 10.3% in the rate for comprehensive full coverage in Hartford and Fairfield counties, with the rate remaining unchanged in the rest of the state. In these two counties the rate of $50 deductible collision was reduced 4.3% and remained the same elsewhere. For $100 deductible collision, there was a reduction of 11.3% in the two counties and one of 9.8% in the rest of the state.

The new schedule includes an increase of $3 for full coverage comprehensive and $1 for deductible, to cover glass losses on 1959 cars. Mr. Premo said this was reasonable because of the cost of twin-wrap windshields.

St. Paul F. & M. Makes Changes In Kan., Mich.

Thomas F. Roberts has been appointed state agent of St. Paul F.&M. at Topeka to service the northeast Kansas field. Mr. Roberts joined St. Paul F.&M. in 1955 as special agent at Wichita.

Donald W. Heunisch has been appointed special agent at Wichita to succeed Mr. Roberts. He joined the company in 1956 at the home office as a casualty underwriter.

Terence P. Hogan has been appointed special agent with headquarters at Detroit where he has served as a casualty underwriter since joining the company in 1956.

Answers Pa. Mutual's Suit

Commissioner Smith of Pennsylvania has filed an answer in commonwealth court at Harrisburg to complaints of eight mutual fire insurers against a section of the state law requiring reserves on unearned premiums on policies of $75,000 or more.

In his request for dismissal of the suit, the commissioner claims the 1921 law is valid and does not violate state or federal constitutions.

Biggs Kemper Junior Executive

Appointment of Willis S. Biggs as a junior executive has been made by the Kemper companies. He joined the organization in 1938 and has been agency production manager for the companies' central department territory since 1954.

Fireman's Fund Divides Marine Unit In The Western Department

Charles Martell, marine manager in the western department of Fireman's Fund, has been appointed manager of the ocean marine department.

E. D. Lawson, vice-president and western manager, explained that the change recognizes the imminent opening of the port of Chicago to ocean vessels. Mr. Martell will devote his time to developing import and export insurance and allied lines, commercial hull, terminal liability coverage, and yachts and outboard motors insurance in the midwest.

John S. Perry, who has been assistant manager of the marine department, has been appointed manager of the inland marine operations.

Investors Fire Plans Expansion Program

Investors Fire of Columbia, S. C., is expanding its operations and has appointed H. Pierce North executive vice-president in charge of the program. Mr. North was formerly executive secretary of South Carolina Assn. of Insurance Agents and was later with John Ratterree general agency of Greer, S. C. Investors Fire is a wholly owned subsidiary of Southeastern Fund, finance company whose principal operation has been in connection with financing trailer homes which Investors Fire insured.

The company has decided to operate on a full agency basis and is currently appointing agents in South Carolina. Preliminary arrangements for reinsurance membership in various pools are being made. For the present, the company will confine its operations to fire and allied lines except auto PHD.

Has Family Plan

The company will introduce a plan of family portfolio protection for personal accounts. This will include the new homeowners, full coverage family automobile, and mortgage reduction life and disability. The life and disability will be written in Financial Life & Casualty which is also a wholly owned subsidiary of Southeastern Fund. Automobile coverage will be written only in connection with this full coverage program.

Royal-Globe Advances Sayles And Short In Pa.

Royal-Globe has appointed David G. Sayles state agent in charge of the Bradford, Pa., office and John W. Short state agent at Pittsburgh to succeed Mr. Sayles.

Mr. Sayles joined the group in 1954 and was special agent at Harrisburg before going to Pittsburgh. Mr. Short has been with the group since 1948, as special agent in Philadelphia, Wilkes-Barre and Harrisburg.

Occupational Disease WC Awards In N. Y. Up In 1956; Welding, Cutting Claims Rose

Compensation awarded in 3,715 occupational disease cases closed by the New York Workmen's Compensation Board in 1956 totaled $6,022,838, or an average of $1,621 per case. This amount exceeded by 4% the $5,770,930 awarded in the 4,236 occupational disease cases closed in 1955.

Occupational disease cases comprised 3% of all cases closed in 1956, but they accounted for 6% of the amount of workmen's compensation awarded in all cases closed that year. These awards do not include amounts paid for hospital and medical care.

More than 40% of the occupational diseases were cases of dermatitis (venenata)—a skin inflammation caused by the local action of an irritant substance, such as a chemical or external poison. Some common sources of this irritation are found in soaps and cleansing powders, petroleum products and distillates, dyes, paints, cosmetics, foodstuffs and poisonous plants. Dermatitis disabilities were generally of a temporary nature and less costly than most other occupational disease cases. They averaged $698 per case.

Silicosis cases, although relatively few, were serious and costly. Only 111 of the 3,715 occupational disease cases in 1956 were silicosis. These claimants, comprising only 3% of all occupational disease cases closed with awards, received benefits of $1,707,652, an average of $15,384, more than 25% of all compensation awarded in occupational disease cases. Under the New York law, workmen's compensation is payable only for total disability or death resulting from silicosis or other dust diseases.

The report pointed out that the seriousness of silicosis is evident in that 47 cases, or 2 out of every 5 silicosis and other dust disease cases closed in 1956, resulted in awards to the beneficiaries because of death.

Workers in all major industry groups were represented among the OD cases closed in 1956. Manufacturing led the major industry groups with 1,852 cases. The service industries were next with 890, followed by wholesale and retail trade with 481.

An analysis of the causes of OD showed that harmful substances, excluding dusts, but including such things as poisonous plants, foodstuffs, soaps, oils, dyes, ink, paint, organic solvents, acids, alkalis, and other injurious chemicals were responsible for 59%.

Accidents involving welding and cutting tools accounted for a total of 974 compensated cases closed from 1952 through 1956. An analysis showed the most common type of accident was exposure to temperature extremes, responsible for 693 of compensated accidents.

In 205 of the 974 cases, the workman was struck by a tool, or by particles, or objects set in motion by a tool, usually in the hands of the worker. In 180 cases the tool was in the hands of the injured workman, while in only 11 cases was the claimant struck by tools being used by a fellow employe.

The remaining 76 cases included a variety of types of accidents, most numerous of which were 36 cases resulting from over-exertion in handling. The other 40 cases were distributed among such types as striking against, caught in, by, or between, falls on the same or to a different level, and continuous occupational activity.

Mill Mutuals Name Castle

R. S. Castle, formerly assistant manager, has been named manager of the Mill Mutuals' Ohio department at Columbus, succeeding J. W. Huntington, who retired Dec. 31 after more than 41 years in the insurance business, the last 30 in Columbus. Mr. Castle has been with the Mill Mutuals for 30 years. H. R. Kagay, field supervisor, was named assistant manager.

Employers Liability Names W. S. King West Coast Manager

Employers Liability has appointed William S. King resident manager of the Pacific department at Los Angeles. He succeeds C. Otis Flint, who retired after 31 years with the company.

Mr. King joined Employers Liability in 1934. Following service at Boston, Chicago and Milwaukee, he was appointed resident manager at Denver in 1946, and in 1951, was named assistant resident manager at New York. He returned to the home office in 1953, where his responsibilities included executive supervision of west coast activities.

Royal-Globe Names Wallace

Royal-Globe group has appointed Joseph M. Wallace superintendent of the inland marine-burglary-glass department in East Orange, N. J. He was previously special representative for the group, responsible for production of these lines in New Jersey. He joined the group in 1934.

Perry, Tierney Named In Eastern Marine Posts By The Fund

Walter G. Perry and Justin N. Tierney have been appointed assistant managers of the ocean marine operations in the eastern department of Fireman's Fund.

Mr. Perry joined the Fund in 1941, and after training went to Boston as an inland marine special agent. After service in the navy he returned to the Fund and held various positions in inland and ocean marine. In 1957, he became manager of the ocean marine cargo underwriting department, a post he now holds.

Mr. Perry is a past president of American Marine Insurance Forum.

Mr. Tierney joined the Fund in 1940. From 1943 until 1946 he served in the navy. On his return to the Fund, he was in various departments of the company and at present is manager of the hull underwriting department.

The Fund's ocean marine operations in the east are under the management of G. Doane McCarthy Jr., resident vice-president.

Investigation Reveals Serious Abuses Of Examinations, Humphreys Declares

An increasing number of abuses have been reported in connection with examination procedures, the examinations committee reported to National Assn. of Insurance Commissioners at New Orleans. The committee, headed by Humphreys of Massachusetts, agreed that most of the abuses can be traced to a relaxation in strict adherence to the examination manual provisions.

The committee voted to "forcefully suggest that all commissioners and their examination personnel be exhorted to review and consistently apply to the fullest extent" every provision of the manual. Accompanying the "notice to all commissioners" is a copy of a proposed model bill which Humphreys regards as the minimum legislation needed to correct examination abuses. The bill was referred to the examinations subcommittee.

Among abuses listed in the notice to commissioners, which the committee charges are spreading are:

1. Failure of examiners to attend to duties during company office hours.

2. Making unreasonable demands on companies for special considerations such as utilization of lunchroom or special transportation facilities.

3. Fraternizing with company officials and employes and acceptance of entertainment.

The proposed model bill provides that "no domestic company shall pay any salary, compensation or emolument to any representative or employe of the department of insurance or similar department of any state or government other than this commonwealth, unless and until such proposed payment has been priorily approved by the commissioner."

Humphreys read a statement in which he reported the results of his own investigation into examination abuses in Massachusetts. His statement contains strong language—"parasites, arrogant, loafing, exorbitant fees, abuse of company officers, and shennanigans."

Recalling that he had asked commissioners and the industry to report abuses to him, he said that his suggestions were met with silence. "Both commissioners and companies know that these abuses occur," he declared. "Yet because of the possibility of retaliation, they have not gone all out to meet this problem."

He said he believes the convention examination procedure is a good system. It prevents duplication of examination efforts. Without it costs would soar. But the system needs constant study and change.

Staff Investigator Named

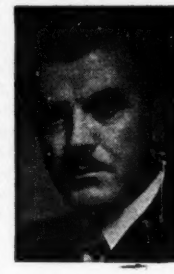
Getting no reports of examination abuses from industry or commissioners, Humphreys assigned a crack staff investigator to work directly under him to study and report on convention personnel currently engaged in examining Massachusetts companies. Most departmental or independently engaged examiners have proved highly competent and earn the compensation paid them, he said.

However, exploitation of the examination procedure for purposes of political patronage has grown. "We have reached the point where almost every convention examination team

(CONTINUED ON PAGE 24)

Bidwell Is V-P Of Delaney Offices

Kenneth J. Bidwell, formerly chief executive officer of London Assurance in the U.S., has joined Delaney offices of New York, national reinsurance firm, as a vice-president. He will direct the organization's program of expanding service facilities throughout the country.



Kenneth J. Bidwell

Mr. Bidwell joined London in 1938 after extensive experience in England and this country. His original assignment was the development of an inland marine department for Manhattan F.&M., the group's first American affiliate. He advanced through executive positions to become assistant U.S. manager of London and vice-president of Manhattan F.&M. in 1950. Five years later he became U.S. manager of the parent company and president of the affiliate.

Insurors Of Tennessee Name Nordhaus Secretary

Insurors of Tennessee has named George W. Nordhaus executive secretary, succeeding E. Kearney Dietz, who has joined the Little Rock chamber of commerce. Mr. Nordhaus spent 42 months in the navy, beginning in 1955, and served as public information officer at the Chincoteague, Va., naval air station.

Convention Dates

Jan. 30-31, National Assn. of Claimants' Compensation Attorneys, midwinter, Sheraton-Cadillac Hotel, Detroit.

Feb. 5-6, Conference of Mutual Casualty Companies, fire conference, Conrad Hilton Hotel, Chicago.

Feb. 16-18, Health Insurance Assn., group insurance forum, Biltmore Hotel, New York.

Feb. 26-28, Texas mutual agents, midyear, Commodore Perry Hotel, Austin.

Feb. 26-28, Tri-State Mutual Agents Assn. of Pennsylvania, Maryland & Delaware, annual, Penn-Harris Hotel, Harrisburg.

March 4-5, Insurance Underwriters Assn. of the Pacific, (formerly FUAP) annual, Sheraton-Palace Hotel, San Francisco.

March 9, West Virginia I-Day, Clarksburg.

March 12-13, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton Hotel, Chicago.

March 23-26, National Assn. of Independent Insurers, workshop, Shamrock-Hilton Hotel, Houston.

March 23-25, National Assn. of Mutual Insurance Agents, midyear, Hollywood Beach Hotel, Hollywood, Fla.

April 2-4, National Assn. of Surety Bond Producers, annual, Plaza Hotel, New York.

April 5-7, Midwest Territorial Conference of the National Assn. of Insurance Agents, annual, Hotel Skirvin, Oklahoma City.

April 5-7, Eastern Conference of the National Assn. of Insurance Agents, annual, Hilton-Statler Hotel, Buffalo.

April 5-7, Oklahoma agents, 50th annual, Hotel Skirvin, Oklahoma City.

April 16-17, Ohio mutual agents, annual, Neil House, Columbus.

April 26-28, Iowa agents, annual, Roosevelt Hotel, Cedar Rapids.

April 30-May 1, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton Hotel, Chicago.

May 3-5, Alabama agents, annual, Whitley Hotel, Montgomery.

May 3-5, New York agents, annual, Hotel Syracuse.

May 4-6, American Mutual Insurance Alliance, annual, Edgewater Beach Hotel, Chicago.

May 4-6, Health Insurance Assn., Bellevue-Stratford Hotel, Philadelphia.

May 4-6, National Assn. of Mutual Casualty Companies, annual, Edgewater Beach Hotel, Chicago.

May 6-8, National Assn. of Independent Insurance Adjusters, annual, Shamrock Hilton Hotel, Houston.

May 11-13, Board of Fire Underwriters of the Pacific, Biltmore Hotel, Santa Barbara, California.

May 11-14, National Assn. of Insurance Brokers, annual, New York.

May 17-20, Insurance Accounting and Statistical Assn., annual Ambassador Hotel, Atlantic City.

May 18-20, American Assn. of Managing General Agents, annual, Essex House, New York.

May 21-22, Georgia agents, annual, Biltmore Hotel, Atlanta.

May 21-23, Florida agents annual, Jacksonville.

June 1-2, Eastern Underwriters Assn., midyear, Otesaga Hotel, Cooperstown.

June 8-12, NAIC, annual, Statler Hotel, Boston.

June 14-17, Conference of Mutual Casualty Companies, management conference, Antlers Hotel, Colorado Springs, Colorado.

June 14-17, International Assn. of A&H Underwriters, annual, French Lick-Sheraton, French Lick, Ind.

August 2-7, Honorable Order of the Blue Goose, International, annual, Statler Hotel, Los Angeles.

August 24-25, South Dakota agents, annual, Sheraton-Johnson Hotel, Rapid City.

Sept. 9-11, Washington agents, annual, Davenport Hotel, Spokane.

Sept. 10-11, Conference of Mutual Casualty Companies, sales & agency conference, Conrad Hilton Hotel, Chicago.

Sept. 28-30, New Hampshire agents, annual, Wentworth-by-the-Sea, Newcastle.

Oct. 4-6, Kansas agents, annual, Town House, Kansas City.

Oct. 11-14, Conference of Mutual Casualty Companies, annual, Baker and Adolphus Hotels, Dallas.

October 11-14, National Assn. of Mutual Insurance Companies, annual, Baker and Adolphus Hotels, Dallas.

Oct. 15-16, Nebraska agents, annual, Town House, Omaha.

Oct. 18-20, Missouri Assn. of Independent Agents, annual, Hotel Governor, Jefferson City.

Oct. 25-27, Illinois agents, 60th annual, Leland Hotel, Springfield.

Oct. 26-28, National Assn. of Independent Insurers, annual, Sheraton Park Hotel, Washington, D. C.

Oct. 27-28, Massachusetts agents, annual, Sheraton Plaza Hotel, Boston.

Nov. 15-18, Indiana agents, annual, Claypool Hotel, Indianapolis.

November 16-18, Health Insurance Assn., individual insurance forum, Biltmore Hotel, New York.

Nov. 19-20, Conference of Mutual Casualty Companies, accounting & statistical, office methods & personnel, Conrad Hilton Hotel, Chicago.

May Set Aside Bureau Auto Rate Boost In Mo.

JEFFERSON CITY—Gov. Blair is expected to make a decision soon as to whether he will set aside the recent increase in automobile rates which became effective Dec. 17.

It was concluded by Gov. Blair and Superintendent Leggett that an investigation would be made of the automobile insurance situation before a definite decision on the rates would be reached. Under Missouri law, Mr. Leggett can order a hearing on any automobile insurance rate change, although the companies can appeal his decisions.

Gov. Blair has termed the recent increases, which go up to 17% in some classifications, "unnecessary."

Insurance Agents Assn. of Kansas City has issued a statement endorsing Gov. Blair's move for a public hearing. The agents said:

"The Dec. 17 automobile insurance rate increase was as much of a shock to local agents as to the general public. All insurance agents are familiar with the terrific losses sustained by automobile insurance carriers. The increased cost of hospitals, doctor bills, nursing, repair costs of the cars, and particularly the higher jury awards. The agents, however, find it difficult to accept the figures used by the National Bureau. The Insurance Agents Assn. of Kansas City heartily endorses Gov. Blair's idea of asking Insurance Superintendent Leggett to hold a public hearing to explore all facets of the filing. The agents' association promises Gov. Blair complete cooperation to that end."

Reportedly, one of the reasons for agent discontent, in addition to the part of the filing calling for a 20% decrease in commissions on auto insurance, is the feeling that companies could exercise a stronger position in the loss department. For example, it is charged in some quarters that the companies' own loss men are causing excessive settlements. Companies are inclined to permit their lawyer-claims men to practice law on the side in order to supplement their incomes. Frequently their claims man discovers that the person making a claim does not have an attorney. It is charged that he will call a lawyer friend who makes arrangements for an interview with the claimant and handles the claim against the insurer. The claims man makes a nice settlement, the lawyer who settled the case for the claimant gets 50% of the settlement and cuts back half of this to the company claims man.

One of the reasons for feeling that the bureau companies are paying too much in auto losses, it is said, is that they write less than 15% of the private passenger cars in Missouri, with better than 85% of the business going to off-manual insurers. The rate structure alone, the agents feel, cannot be at fault. Something perhaps should be done to correct excessive verdicts and excessive settlements.

Washington D. C. Insurer, Blue Ridge Fire Merge

Ins. Co. of Washington D.C. has merged into 114-year-old Blue Ridge Fire of Hagerstown, Md. The merger with the multiple line Washington insurer will permit Blue Ridge to expand into all lines except life, according to Blue Ridge chairman, J. Cooper Graham Jr. Richard S. Friedman, retiring chairman of Ins. Co. of Washington, will become a director of the merged companies.

Complete Aetna Fire Merger

The merger of Century Indemnity, World F.&M. and Standard of New York into Aetna Fire, previously approved by stockholders, became effective at the year end.

May Set Aside Bureau Auto Rate Boost In Ohio

COLUMBUS—Approval by outgoing Superintendent Arthur I. Vorys of increases in automobile insurance rates from five to 22.9% has produced criticism from agents and the incoming Democrats.

Edward A. Stowell, who takes office Jan. 12, said the increase in rates "seems to have some political implication. It looks like the outgoing Republican administration may be giving the insurance companies enough to last for four years."

The new rates will receive close study, Mr. Stowell said, and he is supported by Gov.-elect DiSalle, who said:

"I think it would have been better if we had had a chance to look at the rate requests. If the companies are entitled to them now, they certainly were entitled to them 60 days ago or 30 days from now."

Mr. Vorys had the filing under study for several months. A 10% increase in auto rates went into effect in Ohio in July, 1957.

Bishop Succeeds Covington In N. C. Department Post

W. Ray Bishop has succeeded Lawrence Covington as budget officer and auditor of the North Carolina department. Mr. Covington, who had held the position since 1925, retired at the age of 81. Mr. Bishop, who had been assisting him for several months, was previously an auditor for the state department of conservation development.

Watkins Retires, Maxwell Named By N. Y. Underwriters

New York Underwriters has appointed Robert Maxwell executive special agent in charge of the Chicago service office, to succeed Charles R. Watkins, who has retired after 30 years with the company. Mr. Maxwell has held various field and special service assignments for the company and prior to his new appointment was western special agent under Mr. Watkins.

Mr. Watkins joined the company in 1928, after seven years with Indiana Inspection Bureau. He served as special agent, state agent, and in 1941 became executive special agent. He is a past president of Indiana Fire Underwriters and Indiana Fire Prevention Assn., and, in 1944 served as chairman of the Western Conference of Special Risk Underwriters.

Insure Scientist On Journey Among Penguins

America Fore Loyalty group has written a broad coverage policy in connection with the Antarctica expedition led by Dr. Paul R. Burkholder, director of research of the Brooklyn Botanic Garden. The coverage provides substantial benefits to the scientist's wife and to the botanic organization in the event of accidental death, as well as other benefits payable to either of the two beneficiaries.

Dr. Burkholder's expedition in search of new antibiotics to control human disease was sparked by the knowledge that penguins in Antarctica have no known diseases and there are no harmful germs in their bodies.

N. E. Fire Forms Outmoded By Nuclear Exclusions

New England Fire Insurance Rating Assn. has decided that a number of forms and endorsements used with fire policies in its jurisdiction are obsolete. Agents will be required to stock new editions including the mandatory nuclear exclusions. Some forms dated prior to Dec. 1958, may still be used if the mandatory nuclear exclusion form is attached.

Hastings To N. M. Field

W. R. Hastings has been assigned to the Albuquerque office of Great American as casualty special agent in New Mexico. He replaces Donald J. Rupp, who has resigned. Mr. Hastings joined the company in 1956 as a casualty underwriter at Denver.

Gopher 1752 Club Elects

George Charter, Auto-Owners, has been elected president of Gopher 1752 Club of Minnesota. Also elected are Richard Madsen, Iowa Hardware Mutual, vice-president; William Tiffany, Home Mutual, secretary, and William Harding, Minnesota Farmers Mutual, treasurer.

Named to the board are Leslie Wedge, Central Mutual; R. E. Walsh, Austin Mutual; Stanley Schaefer, Farmers Home Mutual, and F. C. Newton, Minnesota Farmers Mutual.

Nevada Agents Sponsor Bills

Two legislative bills are being sponsored by Nevada Assn. of Insurance Agents—one an anti-coercion measure and another which would limit control of business by an agent to 50% of his total in cities and towns of more than 5,000 population.

Discriminatory Tax A Problem In Conn., As Session Opens

HARTFORD—As the legislature opens its session this week, by far the most ominous problem for the Connecticut-domiciled insurers is the discriminatory tax proposal being pushed by Gov. Ribicoff. This would stop the gradual decrease in the special tax on interest, dividends and rents, and continue to levy a tax on such income countrywide on all classes of domestic insurers.

The law as it stands would reduce the tax each year so that 1963 would be the last year whose income would be subject to the special tax. Instead, it would put the tax back up to 2½% from the current 2% rate.

Tax About $2.3 Million

On interest, dividends and rents received in 1957, the 1958 tax payable by the Connecticut companies was about $2.3 million. Of this amount, about 60% was on life companies and 40% on fire and casualty companies. One factor in making the life company share of the tax so much higher is the large reserves carried by life companies for fulfillment of future obligations.

While the tax constitutes a serious discrimination against domestic companies as compared with out-of-state insurers—which do about three times as much business in Connecticut as domestic companies—any attempt to equalize things by spreading the tax to include out-of-state companies would be worse on the domestic companies than the present situation. For every dollar of Connecticut tax against out-of-state companies, the Connecticut companies would have to pay about $7 in retaliatory taxes to other states, it is estimated.

Despite Gov. Ribicoff's popularity with the voters and the fact that both houses of the legislature are dominated by his party—it's the first time the Democrats have controlled both houses in 70 years—the Connecticut companies are hopeful that they can convince the legislators that the governor's proposal constitutes an unfair and unwise discrimination against Connecticut industry. The legislature is not scheduled to adjourn until June, a fact which should help the companies in presenting the case to the legislators.

Transport Indemnity Opens Midwest Office At Chicago

Transport Indemnity of Los Angeles is opening a midwestern office at Chicago with John M. Hayes, vice-president, in charge. This will be the 12th service facility of Transport Indemnity. It will be at 5300 South Pulaski Road in the center of the trucking district.

John M. Hayes

Mr. Hayes has been with Transport Indemnity since 1956. He is a past chairman of the executive committee of Surplus Line Assn. of California, and was for 12 years with the Victor Montgomery general agency of Los Angeles as manager of the Lloyds operations.

Officers of Mid-Union Indemnity of Elgin, Ill., pictured during a recess at the annual agents' roundup in Aurora: From the left, H. L. Walsh, executive vice-president; Charlotte Swanson, assistant secretary; K. W. Stewart, president, and J. W. Thompson, vice-president. Mid-Union Indemnity specializes in commercial trucking lines.

Grounded Oil Tanker Worth Near $4 Million

The oil tanker African Queen which grounded and split in two off ocean City, Md., had an estimated value of $3.5 to $4 million and was believed to be insured in the London market.

The tanker, sailing under the Liberian flag, was enroute from Covenas, Colombia, to Paulsboro, N. J., with crude petroleum for Socony Mobil Oil Co. refinery. She struck an undersea "lump" and after the vessel split, the bow drifted out to sea while the stern remained grounded.

The nominal owner of the vessel is African Enterprises Ltd. of Monrovia, Liberia, but it is believed that the operating interest is probably Scandinavian.

Washington Lawmakers Scratch Off Compulsory

OLYMPIA—The Washington legislative council subcommittee has decided not to make any recommendations concerning action on compulsory auto.

After lengthy hearings and considerable study, it was found that while compulsory may offer some advantages, the public in states with compulsory view many of the results unfavorably. It was decided that the present financial responsibility law was effective, and some improvements are being planned in this year's legislative session to provide better protection for the public.

Michigan Again Wins Driver Education Award

A coveted award recognizing Michigan as the nation's leader in high school driver education was presented to Gov. Williams at a meeting at Lansing of the state safety commission.

For the 1957-1958 school year, Michigan compiled the best record of all states in the annual national high school driver education award program, sponsored by Assn. of Casualty & Surety Companies. It was the second consecutive year Michigan has won the top award.

In presenting the silver plaque, L. K. Kirk, president of Standard Accident, reported that 537 of the state's 544 public high schools offered driver education courses that met nationally recommended standards, with training reaching 84,694 students. In 1948-49, the first year of the award program, the schools trained 31,087.

State Farm Home Offices To Be Under One Roof

Home offices of the three State Farm Mutual companies will soon be under one roof.

State Farm Automobile has sold the home office building of its companion company, State Farm Fire, to Biddle Advertising Agency of Bloomington, and State Farm Fire will move its executive and general departments to the 13-story home office building now shared by State Farm Mutual and State Farm Life at 112 East Washington street.

Marketing Mania Has Many Ramifications

(CONTINUED FROM PAGE 1)

the line turned sour, either withdrew it from certain areas or cut producers' commissions.

A number of underwriters admit that competitive pressures spurred their companies into acceptance of homeowners C on a mass basis without thorough underwriting scrutiny. "Get the business on the books and sort it out later" was the war cry, as it has been at times with other lines.

One underwriter observes that his company did not require a signed application with homeowners C, but plans to do so with the new form 5 which is to replace it. This underwriter is not too optimistic about a profit on form 5 despite its revisions.

A competitor is even more pessimistic. He says hope of a profit is wishful thinking—unless selectivity really sets in. If old practices continue, results will be bad. In passing, he notes that C sales were pushed on the basis of covering ordinary hazards of living, which, in his view, are uninsurable. He mentions children dropping things, spilling ink, breaking mirrors and other innocent but costly pastimes. Allowing for any and all revisions in the contract, this underwriter says that producers and companies must remember that they are dealing with a luxury contract.

Ideas On Mass Market

A company executive, who ruefully admits that insurers sometimes learn only by bitter experience, agrees that a company cannot sell this type of contract on any mass basis and come out on top. He says he sometimes thinks the only mass underwriting market remaining is fire and extended coverage on dwellings.

This executive cites an agent in an eastern suburb as a typical mass market operator. This agent has developed ingenious plans for digging out prospects prior to solicitation. He follows the news and social columns of the local papers, searches municipal and real estate records, obtains membership lists of social and civic clubs, locates prospects whose policies with other agents are expiring—and then goes after sales wholesale. Annually he has placed between $150,000 and $200,000 in fire and EC premiums on middle class dwellings with one company. The dwelling owners have annual incomes ranging from $6,000 to $10,000. For a number of years, this dwelling business has produced an average loss ratio of 12%.

Some of this business gradually has been converted into homeowners B—a logical procedure. But, the company executive points out, some other producers in metropolitan areas introduce the C form into this type of market where, in his view, it does not belong. The results are disastrous. He knows because he expects his branch to wind up the year with a C loss ratio of way over 100%, due, he believes, to the sale of this Cadillac policy to Chevrolet customers.

In his opinion, the market for homeowners C starts with people with a $25,000 annual income and commensurate possessions. (Underwriters from other companies set the income figure at $15,000, $10,000 and one as low as $7,500 in special circumstances. This illustrates the disparity of views on the potential market.)

Fewer Losses With Higher Income

The executive who advocates the $25,000 income notes that there have been relatively few losses from higher income purchasers of the C form. This does not imply that persons in this category are invariably good risks. They are if their moral standards match their income. But the income and possessions must be there as a fundamental condition. The lower income purchasers to whom the form should never have been sold may have found that they made an "investment" in premium beyond their means, and they are anxious to get back part or all of it.

It is hardly a secret that many of the claims under C have come from the mysterious disappearance and water damage features. Insured who have been told that the package covers "everything" do not hesitate to report promptly and collect when a possession is missing. If it is subsequently found, they may neglect to report the fact.

Some queer sales philosophy appears to have crept into the sale of C forms—perhaps prompted by lavish company advertising. If a prospect mentions a prior water loss for which he could not recover under former coverage, an enthusiastic producer, without concern for an inevitable recurrence in certain locations, may assure the prospect that he'll recover next time. Incidentally, in the opinion of one executive, the revisions in form 5 do not restrict water damage sufficiently.

Memories Of PPF

Current experience under C brings back some haunting memories of events in connection with its parent, the personal property floater, some years ago when companies were all steamed up about that cover and producers were pushing it at their behest. One company conducted a prize contest for its field men for production of PPF premiums. A field man in the New York metropolitan area soon left his colleagues far behind. He received a substantial increase in salary at year's end and basked in the glow of management approval.

By the next midyear, he was ordered to cut down on production of the

line. By the end of the year, he was told to cease production completely. Shortly thereafter, the company began wholesale cancellation of his formerly prized production upon which his short lived reputation and raise had been based. Most tragic of all, the field man found it impossible to face the agents he had hounded into superhuman sales efforts in producing PPFs. He lost his value to this particular company, which terminated the relationship.

Everyone concerned was unhappy. The man had lost his job. The company had an outlandish loss ratio. The agents were outraged at what seemed to them a drastic and whimsical change in company policy. Insured were displeased at withdrawal of coverage, and in some cases took all of their business from one agent to another.

Need For Advance Research

This example is by no means unique. It illustrates the dangers inherent in any line whose sale is not preceded by basic marketing research. The latter term is often mentioned with mass merchandising. But perhaps what those using these phrases have in mind is actually nothing but sales promotion. Marketing and merchandising imply thorough preparatory and continuing studies by companies of their agency plants and of the clientele served, measured against the coverages the company offers. This involves many factors which must be explored before a coverage actually reaches the market.

It is simple to prescribe a research program but difficult to get one rolling. Companies may lack the necessary personnel and the know-how for the job. Nevertheless, insurers must come up with such a program if they expect to apply intelligent underwriting practices in markets which have been clearly defined. Up to now, most research has consisted of studying the horrendous loss ratios growing out of past mistakes.

Some claim that plenty of research went into the creation of packages, including the C form. These were bureau products, and representatives of the different companies did consult and bring their individual knowledge to bear on the content and the rates for the packages. But did they take the packages back to their home offices and determine exactly how, when, where and why they were going to market them? The only thing that matters to an individual company is its own loss ratio—not industry experience. Perhaps prior research would have led to happier results on the C form, for example. It might have led to a firm policy of sticking to the luxury market for which the cover was designed. At any rate, research is the only alternative to bitter experience.

Many have complained that the C form is intrinsically a giveaway program and that form 5 is in the same category. They may be right or wrong, but no one can be sure until the market is defined and sales are restricted to that area.

One thing is quite clear. The wag who said that two thumbs were all the equipment necessary to write the package was dead wrong. A probing index finger to point out the proper prospects is even more important. Careful scrutiny of these prospects must follow. Then the business will have at least a fighting chance for a profit.

Aetna Fire Raises Two

Aetna Fire has promoted William L. Gills Jr. to supervisor in charge of the New England fire underwriting department. He succeeds Ralph H. Blodgett who has been named supervisor of a newly created personal lines unit.

Mr. Gills joined the company in 1941 as an underwriting trainee. He was later in the special risks department and then transferred to the New England department in 1952 where he has been acting supervisor of fire underwriting since last year.

Mr. Blodgett has been with the company since 1922 as an underwriter in the New York City, Pennsylvania and New England departments. He was made New England agency supervisor in 1948.

Auto Rates Revised In Seven More States

National Bureau has made the following average statewide auto liability rate changes, effective Jan. 7, in the following states for private passenger cars, commercial cars and division one garage risks, respectively: California, up 7%, up 13%, up 25%; Nevada, down 18.7%, up 12.1%, up 25%; Oregon, up 2.6%, up 21%, up 12.2%; Utah, down 10.6%, down 2.-3%, down 2.9%; Washington, up 3.-5%, up 14.3%, up 12.4%; Arizona, down 3.9%, up 6%, up 0.3%, Alaska, down 14.5%, down 7.5%, up 7.4%.

National Automobile Underwriters Assn. has revised rates for auto material damage in four states, effective Jan. 7. In Arizona, combined comprehensive and collision rates for private passenger cars used for family purposes, with no male drivers under 25, are reduced \$1. Cars owned or principally operated by a man under 25 received rate reductions of \$3. Commercial auto fire rates are reduced 10% and commercial auto comprehensive increased a maximum of 12%.

In California the average statewide rate for material damage coverages was reduced 3.75%. Comprehensive and \$50 deductible rate revisions for popular priced family cars, with no driver under 25, range from increases of \$8 to decreases of \$16. On popular priced cars, operated by a man under 25, the decreases range from \$1 to \$24. Commercial auto fire rates are reduced 10% and commercial auto comprehensive reduced 7%.

Other PHD Changes

In Oregon statewide rates for material damage are reduced an average of 4½%. Comprehensive and \$50 deductible rate revisions for popular priced family cars, with no driver under 25, range from reductions of \$2 in the Portland area to \$8 in the remainder of the state. On popular priced cars, owned or principally operated by a man under 25, decreases range from \$4 to \$15. Commercial auto fire rates are reduced 10%, commercial comprehensive rates, depending upon distance of operation, increased 4½%. For commercial risks operating within a 50 mile radius of the garage, rates have been reduced more than 11%.

In Washington, the average statewide rate reduction for material damage is slightly over 4%. Rates for private passenger family cars, with no young male operators, range from \$6 increases in Seattle to \$4 decreases in Bremerton. On popular priced cars, owned or principally operated by a man under 25, the decreases range from \$4 to \$12. Commercial auto fire rates are reduced 10%, commercial comprehensive rates, depending on distance of operation, are increased 13%. Rates on commercial risks operating within a 50 mile radius of garage were reduced 4½%.

—

Northern Of London Promotes Arndt At Chicago

Northern of London has appointed George E. Arndt resident secretary at Chicago. He joined Northern in 1934, handling various assignments in Chicago and becoming agency superintendent there in 1957.

—

Travelers has named Barry T. Leithead, president of Cluett, Peabody & Co., New York, and Carlyle F. Barnes, president of Associated Spring Corp., Bristol, Conn., directors.

Editorial Comment

A Poem About Insurance

An interesting poem in the current issue of the London Magazine reminds us once again that the insurance salesman is simply that to some segments of the public. He is not, in other words, seen as a man purveying peace of mind, a man dedicated to service, or even a man with the best interests of the community at heart—instead, just another salesman. No worse, perhaps, than a shoe salesman, or a bread salesman; but certainly no better.

Entitled "Bond Street," Norman Nicholson's poem concerns an inhabitant of London who has been asked the way to Bond street by an insurance man. The local man looks the insurance man over and doesn't see much except a "briefcase fat with business." So he pretends he doesn't know where Bond street is. "Bond street," he says. "Now where the devil's that?" This doesn't discourage the insurance man, however. He is sure the street is somewhere in the area. "In the meantime, I've a policy here. . . ."

The local man then completely ignores his questioner and reminisces about Bond street. Its history, its present, its future, obviously mean a great deal to him. It is the "one street in all the town . . . that never failed its name or promise." And he is reluctant to direct this salesman there. "Bond street I know well. You'll sell no insurance there."

But the insurance man is tenacious. "I could insure the deaf and dumb," he replies, "against careless talk." The local man shrugs. "Whatever you choose," he says. "A mile past the Square. Then ask again. Hope you enjoy your walk."

All this, of course, is nothing new. One becomes accustomed to occasional misconceptions of the basic ideals of insurance. Misconceptions, we realize, which are sometimes fostered by the unfortunate activities of only a few agents.

Nevertheless, it is important for us to recognize that the job of educating the public is a never-ending one. It is a job, and a difficult one, which must be assumed by everyone within the business. And who knows—perhaps one day we shall see a poem which pictures the insurance man as a person who has gained the respect, admiration and, most of all, the understanding of the entire public.—R. R. Cuscaden

Salesmen Who Work For Free

There have been many campaigns for insurance to value by individual companies and by National Board. But when one of the world's largest banks joins in the campaign a good deal of weight and prestige is added to the attack on this problem. Chase Manhattan Bank of New York has distributed to its customers a timely reminder on the replacement value of homes. The bank's message begins with this observation: "We are not in the insurance business." This in itself is a potent sales opening because the bank is not selling anything directly.

The message points out that a family's home is one of its major assets and that people who have not increased their coverage recently are probably inadequately insured. The bank notes that homes built in 1947 have increased 85% in value on the average. For this reason customers are strongly urged to consult their insurance representative for a review of current home and personal property coverage in the light of today's costs. This is a matter that should not be neglected or postponed in the bank's judgment.

Small community banks also can be helpful to producers, according to Thomas Glavey, vice-president of Chase Manhattan, who has made a number of valuable merchandising suggestions in talks at the National Assn. of Insurance Agents annual meeting at New Orleans and at other conventions. The local banker has a vital stake in the insurance programs of borrowing customers, Mr. Glavey points out, and, when sufficiently informed, can influence them to close gaps in their coverage which could spell commercial ruin.

For example, the local banker can pinpoint the pitfalls of interruptions in business operations and can suggest the remedy—business interruption insurance. His approach will be entirely free of the technicalities which often regrettably deter agents from opening up the subject. The banker can get the message in one apparently disinterested punchline, and open the door for the agent's sales promotion. He can also inform a borrowing bakery operator, for example, that every day presents the danger of an employe sprinkling roach powder or some other foreign substance in materials being prepared for the oven—with possible dire consequences to the consumer and the banker.

There are as many other opportunities for insurance counsel by bankers as there are businesses in a community, Mr. Glavey points out. Producers would do well to enlist the aid of bankers whose interest in adequate insurance programs parallels their own. The first and most important step in getting this help is to keep the banker informed of the merchandise the agent has to offer to protect their joint interests and those of the public.—J.N.C.

Stocks

By H. W. Cornelius, Bacon, Whipple & Co.
135 S. LaSalle St., Chicago, January 6, 1959

	Bid	Asked
Aetna Casualty	180	186
Aetna Fire	77½	80
Aetna Life	241	246
American (N. J.)	27½	28½
American Motorists	17	18
American Surety	20	21
Boston	34	35¼
Continental Casualty	110	111½
Crum & Forster com.	69	72
Federal	60	62
Fireman's Fund	58	60
General Reinsurance	71	73
Glens Falls	34½	35½
Globe & Republic	22	23
Great American Fire	45½	47
Hartford Fire	186	190
Hanover Fire	43	45
Home (N. Y.)	46	47½
Ins. Co. of No. America	137	140
Jersey Ins.	38	40
Maryland Casualty	40	42
Mass. Bonding	39	40½
National Fire	118	Bid
National Union	40½	42
New Hampshire	45	Bid
North River	40½	42
Ohio Casualty	24½	Bid
Phoenix Conn.	77½	79
Prov. Wash.	24½	26
Reinsurance Corp. of N.Y.	17	18½
Reliance	50	52
St. Paul F. & M.	59½	61
Springfield F. & M.	34¼	35¼
Standard Accident	58	60
Travelers	95½	97
U.S.F. & G.	83	84
U. S. Fire	31	32

Personals

Louis H. Antoine, resident vice-president at St. Louis of American group, has announced that he will not seek reelection to the St. Louis board of education. Mr. Antoine has been on the board for six years, during which time he has made his mark as one of those who has attempted to bring business methods into the school system. He was active in the insurance picture and in an attempt to curtail political patronage in the selection of employes and department heads. Recently a circuit judge upheld a suit brought by Mr. Antoine and two other board members to oust the school building commissioner for gross misconduct.

H. Clay Johnson, deputy U.S. manager and general counsel of Royal-Globe, is wearing one foot in a cast as a result of a skiing accident in North Conway, N. H. He is back on the job, however.

Madoc M. Pease, U.S. marine manager of North British, was honored on the eve of his retirement at a dinner attended by the company's administrative office staff. He was presented with an engraved silver tray to mark the occasion.

Deaths

JOHN W. RODGER, 81, retired manager of Insurance Board of St. Louis and its predecessor, Fire Underwriters Assn. of St. Louis, died. He served as manager of the agents' associations from 1915 until 1944.

Mr. Rodger was born in England and moved to the United States when he was four years old. He was brought into insurance association work by the late W. D. Hemenway Sr., the first president of Fire Underwriters Assn. of St. Louis, which was organized in 1915 to carry on where its predecessor, the old St. Louis Board of Fire Underwriters, had left off in 1913 when it adjourned sine die because of a dispute with the Missouri department which resulted in the fire companies ceasing to write business in the state. Manager of the local board and executive secretary of Missouri Assn. of Insurance Agents for many years until 1944, Mr. Rodger became well known to other agents throughout the country

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ABC

The National Weekly Newspaper of Fire and Casualty Insurance

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MINNEAPOLIS 2, MINN.—1038 Northwestern Bank Bldg., Tel. Federal 2-5417. Howard J. Meyer, Northwestern Manager.

NEW YORK 38, N Y.—17 John St., Room 1401, Tel. Beekman 3-3958. J. T. Curtin and Clarence W. Hammel, New York Managers.

NEWARK 2, N. J.—10 Commerce Ct., Tel. Market 3-7019. John F. McCorm[illegible]k, Resident Manager.

PHILADELPHIA 9, PA.—123 S. Broad St., Room 1027, Tel. Pennypacker 5-3706. Robert I. Zoll, Middle Atlantic Manager.

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SAN FRANCISCO 4, CAL.—582 Market St., Tel. Exbrook 2-3054. Robert L. McMullen, Pacific Coast Manager.

CHANGE OF ADDRESS

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by his attendance at meetings of the national association.

His first connection with insurance was with the Peugnet & Hemenway agency, later merged with the H. M. Blossom & Co. agency to form the present Insurance Agency Co. Later he was office manager at St. Louis for Phoenix of Hartford for eight years, and then for a while was part owner of an agency at Joplin. He was special agent in Missouri for L.&L.&G. before going with the St. Louis Board.

ALPHONSE J. D'AURIA, 59, retired chief counsel of Aetna Fire group, died at his home in Miami of a heart attack. He retired in 1954 after three years as head of the group's legal department. Previously, he had been counsel of the group for 25 years at New York.

MRS. GLADYS F. REYNOLDS, widow of William J. Reynolds, who was president of Corroon & Reynolds at the time of his death, died at San Mateo, Cal. Her son, William J. Reynolds Jr. is manager of Corroon & Reynolds at San Francisco.

JOHN L. CHATTERTON, 64, southern California and Arizona district manager of the Warner Reciprocals, died of a heart attack at Pasadena. Prior to joining Warner Reciprocals in 1945, he had been with Iowa Inspection Bureau, state and special agent for New York Underwriters, North British, Fireman's Fund, National Union, and Pacific National.

RICHARD S. PAGE, 61, president and organizer of Indiana Bonding & Surety, died. He founded the company in 1934.

EDMUND J. DONEGAN, 74, secretary of Loyalty group companies and manager at New York, died at St. Vincent's Hospital there. He was scheduled to retire Jan. 31. From 1921 to 1926 he was general counsel of U.S.F.&G., and from 1926 to 1929 he was first vice-president and general counsel of Metropolitan Casualty, a Loyalty affiliate. In 1929 he joined General Surety as executive vice-president, and in 1933 he became New York general manager of Home Owners' Loan Corp. He practiced law from 1934 to 1939 when he was appointed secretary of Loyalty companies. He was a past president of Casualty Managers Assn. of New York and of Surety Managers Assn. of New York.

JESSE E. WHITE, 81, retired vice-president of North Star, died of a heart attack at his home in Montclair, N.J. He had been senior vice-president of Great American before joining North Star.

BAILEY T. TURNER, 63, retired St. Louis service manager of North America and wielder of the St. Louis Blue Goose, died of a cerebral clot at Deaconess Hospital. He was a 1917 graduate of the University of Missouri law school and practiced law at Monroe City before joining Missouri Inspection Bureau at Hannibal in 1920. He went with North America in 1923 and retired in 1944. He had been wielder of the Blue Goose for several years.

THOMAS G. TINSLEY, 89, vice-president of J. Ramsay Barry & Co., agency at Baltimore, died at his home there. He was one of the organizers of Middendorf, Williams & Co., Baltimore brokerage firm.

WILLIAM C. FIAND, 66, vice-president of Allegheny-Ohio department of Crum & Forster, died at his home in Pittsburgh. He had been with Crum & Forster more than 31 years.

TRENT S. LOGAN, 65, secretary-treasurer of Jones-Logan Co., Atlanta agency, died at a private hospital there.

IRVIN S. MacDONALD, 58, a senior ocean cargo underwriter of Chubb & Son, died at his home in Pelham Manor, N.Y. He had been with the company more than 35 years.

New Cal. Governor Suggests Awards Board For Auto

Gov. Brown of California, in his inaugural address, advocated creation of an automobile accident commission along the lines of the industrial accident commission. The commission would control awards and relieve the court calendars. The governor said in effect that if the legislature does not give consideration to the proposal, it should be ready to name more than 100 new judges.

Officers Elected By Three Texas Local Associations

New officers of local associations of Texas Assn. of Insurance Agents are:

San Antonio—Robert Duncan, president; O. J. Van Horn, vice-president; and Francis F. Ludolph, reelected secretary.

San Angelo—R. Ford, president; Jack McGregor, vice-president; and Bernard Trimble, reelected secretary.

Tyler—Albert E. Saleh, president; Harold S. Phipps, vice-president; and A. E. Dennis, secretary.

Nationwide Mutual has appointed Robert E. McKean association group underwriter at the home office, and Owen C. Diehle group representative for the Wilkes-Barre, Pa., region, succeeding Andrew Gressa, now district manager at Harrisburg.

Survey Asks Insurers For Fact, Opinion On Expenses

(CONTINUED FROM PAGE 4)

servicing, policywriting, and premium collection in connection with these non-productive agencies?

What standards are applied by companies to agencies? Replies indicated that more and more companies are moving towards the requirement that their agents work full time in the insurance business and related lines such as real estate, accounting or banking. However, Mr. Isaacs observed that the wide range of answers indicates that plenty of room still exists for upgrading agency plants and the establishment of more rigid qualification standards in new appointments.

Open Field For Education

What is the annual cost of advertising and public relations, plus stationery, advertising aids, rent allowances, reverse telephone charges, etc., for agents, as a percentage of written premiums? Here 39 replied one-half of 1% or less and 18 said between one-half of 1% and 2%. Thus 57 spend 1% or less, and 68 of the companies reported 2% or less. Company executives indicated reverse phone calls were not a real expense problem.

Is safety prevention now so integral a part of industrial management as to permit a reduction in the insurer's safety program? Fifty answered no to this one.

What is the annual budget for training and upgrading salaried staffs and producers? Twenty-eight companies said $1,000 to $550,000; 38 said they didn't specifically budget for this item, and 16 didn't answer.

What is the employe turnover ratio. Eleven said less than 7.5%; seven replied 7.5 to 12.5%; nine, 12.5 to 17.5%; three, 17.5 to 22.5%; 12, 22.5 to 27.5%; nine, 27.5 to 32.5%; 11, 32.5 to 37.5%; four, 37.5 to 42.5%; four, 42.5 to 50%; and two, 50% and more.

Here the questionnaire sought for a correlation between lack of formal training or educational program and higher employe turnover, Mr. Isaacs said. While leaving this point inconclusive, the answers clearly show a fertile field for formal educational effort, he said. The economic waste of high turnover is obvious. The wisdom of paying salaries competitive with those in general industry may not be so obvious, he observed. A survey of starting salaries for male college graduates reported in the Journal of College Placement discloses that banking, insurance and investments expected to offer the 1958 graduate holding a B.A. or B.S. degree a starting salary of $376 while most other major industries offered wages 12½% to 16⅔% higher than that figure.

Agent Must Assume Responsibility

Much personalized handling must be performed in insurance, he said, if it is to recruit broad-gauged men and women.

Do you have a division in underwriting and processing between personal lines of business and commercial or industrial accounts? Answers: 23 yes, 46 no, eight contemplate one.

Do you obtain investigative character-credit reports on each new applicant for automobile insurance? Answers: 54 yes, 19 no, six other.

What percent of the first year premium does the cost of credit reports represent? Answers: two, 1% or less; five, 1 to 2%; 10, 2 to 3%; 14, 3 to 4%; four, 4 to 5%; 10, 5 to 6%; and three over 6%.

Very real and tangible economies can be effected here if the agent will cast himself in the role of a responsible partner with his company, Mr. Isaacs said. Most of the companies queried indicated they obtain reports on all or almost all new automobile submissions. In his company, he said, the average cost of these reports last year was $3.80 each. Assuming an average automobile premium of $75, the cost of the reports uses up 5% of the first year premium. In lower rated territories the percentage cost is higher. However, if an insurer keeps a line five years, the first year cost works down to 1%.

Sees Means Of Improvement

How much better if the use of these reports could be eliminated on the majority of new submissions, Mr. Isaacs observed. To do that, the insurer would have to be completely satisfied that the producer is conscientiously and honestly selecting his customers and is personally vouching for their desirability as auto risks. The wisdom of each producer building his account to a creditable size with his company also is applicable here. Where there are active business dealings, mutual respect and trust usually exist also, he said.

Replies to the questionnaire show the waste of flat, pro rata and short rate cancellations. The mean average for all types of cancellations and for all companies responding reveals that

one out of every six policies written is terminated by cancellation. This is conservative for some lines, especially automobile.

The figures on flat cancellation are: Nine companies with less than 2.5% of all policies; three companies, 2.5 to 5%; 12, 5 to 7.5%; eight, 7.5 to 10%; 12, 10 to 12.5%; three, 12.5 to 15%, and five, more than 15%. Policies cancelled in other ways equalled these same percentages for the following number of companies—three, six, 12, 14, nine, two, and four, respectively.

Outright Waste Is Stupendous

The loss of motion and outright waste in such a record is nothing short of stupendous, Mr. Isaacs declared, for every cancellation involves at least twice, and often three times, as much work as does a policy that is written and continued on the company's books. All of the keypunch, coding and accounting, and collection functions must be withdrawn and, in the case of rewrites, new entries made in their stead. An effective system for keeping underwriting and rating information current without having to endorse the policy in mid-term, material reduction in the error ratio in company offices in processing business, and specific reanalysis of the client's coverage needs and present exposures by the producer shortly before renewal would effect substantial savings. If the cancellation ratio could be cut two-thirds, say to 5% of policies issued, a company should find it possible to operate with a reduction of 6% to 7.5% in its clerical staff. There would also be a real reduction in free insurance.

Companies were asked how many thousand dollars in premium they handle per employe? Average for all company groups reporting was $52,240, with 32 companies indicating they thought $75,000 was the proper figure.

Of companies reporting, 32 consider the present loadings (ranging from 1% to 6%) for profit and contingencies in the rate to be adequate, 31 inadequate, and one "excessive."

Mr. Isaacs for some years has leaned to the view that the present loadings are inadequate to finance normal growth in the business, to justify risk taking of ever mounting catastrophic proportions, and to guarantee a dynamic insurance enterprise. He noted that the corporate federal tax for stock insurers is either 52% or 54%, depending on whether they file individual company or consolidated tax returns. Hence, in years of underwriting profits a 5% margin will be reduced after income taxes to less than 2.5%. On the investment side approximately 60% of investment income is disbursed to pay dividends to stockholders so that in a "normal" year the insurer, at best, can only hope to retain 3.5% to 4.5% of earned premiums. This seems an inadequate margin to cushion disastrous cycles such as the industry has suffered the last three years, nor will it afford incentive to assure an open and vigorous insurance market even though some cushioning effect is available to stock companies through carry-back and carry-forward provisions in the income tax law.

In 1957, 1,835 manufacturing concerns had a net profit of 5.9% of net sales; all member banks of the federal reserve system, a net profit of 17.2% of gross income; privately owned electric utilities, a net profit of 14.7% of operating revenue (year 1956); class 1

railroads, a net profit of 7% of operating revenue, and 752 stock fire and casualty companies, underwriting loss for all lines combined, 4.33%, investment income 5.5% of earned premiums leaving a net operating profit, excluding investment portfolio appreciation or depreciation, of 1.17%.

Agents Might Aid Claims Handling

Do your agents or broker materially aid or render substantial assistance in claims handling? Answers: 38 yes, 42 no.

Would you like them to do more? Answers: 29 yes, 21 less or nothing, and 23 present arrangement satisfactory.

Do you grant agents and brokers limited claims settlement and draft signing authority? Answers: 49 yes, 30 no.

Here experienced and conscientious agents might reduce adjustment expense, to the benefit of the company and themselves by genuinely aiding in the investigation and adjustment of claims. This is a logical area for him to earn a claims or servicing allowance as some offset against the shrinking factor for straight production effort, Mr. Isaacs said. This suggestion contemplates bonafide expenditure of time and effort in thorough completion of the accident report, investigating the accident, locating and interviewing witnesses, and in reducing travel time and expense of company adjusters. It also affords the producer opportunity to serve his client in time of need.

Broadly speaking, are you satisfied with the present distribution of the expense portion of the premium dollar between company functions and agent or production functions? Answers: 16 yes, 56 no.

Does your average agent merit the present rate of commission that your company pays? Answers: 20 yes, 49 no.

How many special agents or salaried field representatives do you employ? Answers: 25, less than 10; 18, 10 to 25; 11, 25 to 40; seven, 40 to 65; three, 65 to 100; one, 100 to 150; 11, 150 to 250; and six, over 250.

Do you feel that your need for these men's services is increasing, stationary, or decreasing with each succeeding year? Answers: 56 increasing, 14 stationary, and three decreasing.

Average Annual Cost

Assuming an annual cost for salary, employe benefits, and travel expenses of $10,000 for each special agent, the 6,219 men engaged by the companies contributing to this survey represent an annual outlay of $62,190,000. They are backed up by supervisory sale staffs that probably involve a larger budget than is indicated here.

What is the approximate premium volume that each field representative is expected to service? Answers: three less than $250,000; 18, $250,000 to $375,000; 24, $375,000 to $525,000; two, $525,000 to $700,000; four $700,000 to $900,000; and five over $900,000.

Mr. Isaacs suggested that the day is close for transfer to the company of the premium collection function on personal lines. This would free salesmen from an onerous task, afford them more time for solicitation of additional business, and eliminate the substantial duplication of effort that exists under the present arrangement. The rapid increase in company-sponsored premium financing plans makes it a short term certainty that insurers will take over exclusive handling of the collection function. The issuance of all policies by the companies (and by mechanical means for the uncomplicated contracts) and the general use of renewal certificates will all aid in the drive to price insurance more attractively than has been possible in the past.

The replies to the survey seem to point up the importance of companies and producers alike maintaining high caliber staffs. This can most readily be accomplished by adopting salary levels fully competitive with general industry and broader utilization of formal educational facilities where they are available. Mr. Isaacs believes it would profit the companies to put only their best and most thoroughly trained men into the territory as field representatives. They would be fully qualified to render real assistance to agents and brokers and perhaps stimulate new sales and operational techniques. Such a program ultimately would produce a lower "other production expense" figure.

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N. Y. Auto Commissions In State Of Flux

(CONTINUED FROM PAGE 1)

boroughs of Manhattan, Bronx, Brooklyn and Queens is 12.5% for all coverages and all classes except class 2, which is 7.5%, and taxis, liveries, buses (except school), drive-it-yourself, and intermediate and long distance trucking, which are 10%. In outstate New York, including Staten Island, the percentage for all coverages and classes is 15 except class 2, which is 10, and taxis, liveries, etc., which is 10. Five points are added to these three percentages for certain agencies that write policies and meet other standards, such as prompt payment of accounts, etc.

Outside New York City there has been a tendency for companies to go to 20% on PHD. A few companies, like Travelers, have gone to 10% on class 2. However, beyond that there is little similarity in schedules, and this dissimilarity is further accentuated by even wider differences in underwriting tolerances for auto risks.

North America is reported paying the old scale of 17.5 and 20% for BI and PDL on classes 1 and 3 out-state. It is paying 15% for class 2 PHD outstate and 10% in the city, but pays 10% for class 2 BI and PDL statewide. The scale for classes 1 and 3 in the five boroughs is 15%.

Massachusetts Bonding is paying 15% for classes 1 and 3 and 7.5% for class 2 BI and PDL in New York City.

Manhattan Casualty, which writes only in the city, pays 10% across the board.

Fireman's Fund's scale varies, with 12.5% for 1 and 3 in the city and 10% for 2 state-wide.

Home pays 15% for 1 and 3, and 10% for 2 in the city.

Royal-Globe is 10% out-state on class 2, 15% for 1 and 3, and 20% for PHD.

American Surety is reported to be paying 15% on the casualty classes except 2, which is 10%.

However, some companies, like Ocean Accident and Phoenix of London, are said to be paying 20% for classes 1 and 3 out-state. Buffalo is paying 15% for these classes.

Security Mutual Casualty pays 12.5% across the board; Public Service Mutual 12%, and Exchange Mutual of Buffalo 10%. Atlantic Mutual pays 12.5% for BI and PDL and 15% for PHD, state-wide.

One general effect of the changes that have been going on in New York is to make the business highly sensitive to expenses. Agents especially have come to look upon renewal certificates, machine billing by the companies, etc., with a more favorable eye than in the old days.

Humphreys: Examinations Need Reform

(CONTINUED FROM PAGE 12)

has at least one suspected or proven interstate moocher aboard posing as an examiner," he declared.

Commissioners "cannot afford to support this breed of parasites any longer," Humphreys stated. "They are chiseling money out of companies that properly belongs to the policyholders, arrogantly loafing on the job and demoralizing competent state and independent personnel engaged in examination work. Why should a competent examiner of my state or your state have to cover up for the failures or incompetence of one of this minority? If they are not restrained they can soon become a majority and in some instances have been a majority.

"Why should a company or its policyholders have to pay all costs to return a man from convention examination to his distant home state in order that he can vote? Haven't these persons ever heard of absentee ballots? Why should an examiner and his wife take two weeks to travel by automobile to and from his home state with the enormous expense involved because he prefers to ride in an automobile and expects the insurance companies and the public to pay his exorbitant fees?

Follow-The-Sun Request

The abuse of incompetency is bad enough," he went on. "But abuses indulged in by competents? My investigator's report shows that at this very moment there are two allegedly highly competent out-of-state examiners on a convention examination in Massachusetts who decided that inasmuch as winter has come to New England, they want to examine a company agency in southern California, even though all records have been made available to them in the Massachusetts home office. Our chief examiner on the job has refused to allow this follow-the-sun request and my report shows these two have apparently conspired with the remaining convention examiners, excepting one conscientious examiner, to sabotage the convention examination. The leaders of this revolt are throwing their weight around and sulking like a couple of children, abusing company officers and help alike, and making a general nuisance of themselves, instead of acting like the examiners they claim to be."

Another examiner, he said, reportedly has lost his license to drive an automobile in his home state. Yet it is alleged he drove across the country without a license to Massachusetts and asked officials of the company under examination to get him a Massachusetts license. The implications are very plain. If he doesn't get a driver's license what kind of an examination job can he do on the company"

To Stop White Collar Racketeering

How long will commissioners tolerate such shennanigans, he asked. "We all know that countless chiseling abuses of this type have gone on in all states in the past and will continue to go on as long as we allow it. The time has come to act decisively." Hence the proposed bill, which is, he declared, "designed to stamp out these white collar racketeering practices."

The legislation will not prevent a commissioner from sending to another state an examiner of his staff at any time. However, unless prior approval is obtained for expense payments, it will be expected that his department will bear the cost of salary and such other costs as traveling expense as are necessary.

Humphreys most strongly urged that in the light of the current conditions, "we should act now or as soon as possible, or we shall have to explain why we did not act later."

North America Group Reports Gains For '58

(CONTINUED FROM PAGE 2)

more efficient service should result. Cost savings in paper work will be passed on to policyholders as they are achieved.

He stated that with a good business outlook for 1959, the insurance business has the opportunity of gaining a greater share of consumer expenditures, as new and attractive package policies are developed. The group's studies show that most families do not carry enough life protection, nor as much as they can afford, and parallels exist in the property and casualty field, he concluded.

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Blackford To Review Blue Cross Rate Hikes

LANSING—Frank Blackford, new Michigan commissioner, has promised a review of new rates established by Michigan Hospital Service (Blue Cross).

The rates and methods of paying participating hospitals came under heavy fire during the week from several quarters. The Wayne county (Detroit) board of auditors launched a general inquiry into the recent 18½% rate increase, promising to compare the Michigan set-up with that of similar hospital services in other states.

Four Grand Rapids hospitals protested the new so-called "ceiling payment" plan instituted by the service and threatened to withdraw from the Blue Cross program.

In view of the developments, Commissioner Blackford indicated that an inquiry at the state level seemed appropriate although admitting that "I don't know whether any action is possible or called for." He said that "everyone seems to be unhappy—the hospitals, subscribers and the Blue Cross."

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North America Deviation Postponed Until March

North Carolina Fire Rating Bureau has informed North America that it probably will appeal from Commissioner Gold's recent order permitting North America a 10% deviation on fire and homeowners' policies. As a result of this, Commissioner Gold has postponed the effective date of the deviation from Jan. 15 to March 1, to give the rating bureau time to ask for a rehearing.

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Allstate Names Hoppensteadt

Edward L. Hoppensteadt has been promoted to methods and systems director of Allstate. He began his career with the company as an underwriter in the Illinois regional office in 1946. Prior to his promotion he had been systems development manager in the home office. He will be succeeded in this position by William Cormier.

Premium Volume Of Kemper Companies At Record $200 Million

Direct premiums written by the Kemper companies in 1958 were at a record $200 million according to James S. Kemper, chairman. The five companies had about $9 million more in business than in 1957. Mr. Kemper said there is every indication that the over-all loss ratio will show an improvement over last year.

"We are certain that our selective underwriting policies and investment program will enable us to earn our dividends to policyholders by a comfortable margin," he said.

Cal. Labor To Seek Big WC Benefit Increases

California labor federation will sponsor a bill to increase workmen's compensation benefits for temporary and permanent disability from $40-$50 to $70 weekly. Labor will also seek longer compensation periods. Gov. Brown is on record as favoring such a measure but not as to amount.

Insurance Taxes, Fees Rise; Smaller Number Of Texas Insurers In '58

AUSTIN—Insurance taxes and fees collected by the Texas department during the fiscal year that ended Aug. 31, 1958, rose nearly 10% to a total of $29,477,703, according to its annual report.

Other aggregates included in the report were as follows: 1,852 companies licensed to do business in the state; 41,705 legal reserve life insurance agents; 13,076 group 2 agents; 9,497 local recording agents and 3,571 solicitors in fire-casualty lines.

Notable Declines Revealed

A 10-year graph dealing only with Texas companies revealed some notable declines. For instance, the number of Texas stock legal reserve life companies dropped from 340 in 1955 to 300 in 1958; there was a drop in the number of burial associations from 410 in 1951 to 307 in 1958, and there was an even more drastic decrease in county mutual fire companies from 60 in 1949 to 28 in 1958.

During the 1958 fiscal year 28 Texas companies were reinsured, three companies were placed in receivership, 14 receiverships were closed out, and 41 companies of various types were still in receivership.

Townsend To Head Ind. Senate Insurance Group

J. Russell Townsend Jr., Equitable of Iowa, Indianapolis, has been named chairman of the insurance committee of the Indiana senate for the current session.

Other members of the committee who are in the insurance business are Wesley Malone, Clinton; Martha Y. Burnett, Indianapolis, Albert W. Wesselman, Evansville; Raymond M. Baker, North Vernon, and James W. Spurgeon, Brownstown. The three remaining members are attorneys.

Mutual Of Omaha Has Golden Anniversary Plan

Mutual Benefit H.&A., which on March 5 will celebrate its 50th anniversary, has introduced a "golden anniversary plan" of A&S insurance providing basic income protection with a lifetime benefits provision.

The plan is designed to complement social security disability insurance by providing monthly benefits until the insured reaches the age where SS becomes available.

$25 Daily Room Benefits

In the field of hospitalization, the company is offering in most states $25 a day in daily room benefits for as many as 500 days, including coverage for at least 30 days after age 65. The plans pay up to $250 for maternity depending on daily room benefit.

Among the miscellaneous benefits is a provision allowing full payment of the first $100 of expense and 80% of the balance up to $1,000, and a rider for doctor's calls can be added.

All income protection and hospitalization plans are guaranteed renewable.

Colton Opens Consulting Office

Ralph F. Colton has opened offices at 30 North LaSalle street, Chicago, as a consultant on company matters and as a broker negotiating the purchase or merger of insurance companies. Mr. Colton has been vice-president of Reserve of Chicago.

Tax Problems Are Created By Insured's Claim Allocation

(CONTINUED FROM PAGE 6)

and the new one installed. The cost of the new roll was $65,000. Marcal spent an additional $27,886 in labor and installation costs, and $27,256 for accessory dryer parts, freight costs and miscellaneous charges. The installation of new equipment was completed in September, 1955, at a total cost of $120,143.

On receipt of the loss payment of $125,000, Marcal elected not to recognize gain as on an involuntary conversion of the old dryer roll and signified its intention in this regard in a letter dated July 8, 1954, to the district director of internal revenue at Newark. In this letter Marcal requested permission to replace property involuntarily converted by the purchase of property similar or related in service. In another letter, in support of this request, dated July 22, Marcal's president explained the allocation of the loss payment of $125,000. On the basis of this letter, the district director on Aug. 10, 1954, granted an extension to Dec. 31, 1955, within which Marcal could replace the converted property.

Commissioner Allocates Loss

On March 22, 1952, the date of the accident, the old roll had a value of $31,666 on an adjusted basis. It had been bought in July, 1948, for $40,000. In its amended income tax return for its fiscal year, ended July 31, 1953, Marcal reported additional income in the amount of $4,652, representing the difference between the insurance proceeds of $125,000 and the amount claimed as expended for replacement of $120,347.

In his notice of deficiency to Marcal, the commissioner of internal revenue allocated $100,000 of the insurance proceeds to business interruption as to both of the taxable years ended July 31 of 1952 and 1953, to be includible in income in accordance with the provisions of the 1939 internal revenue code. The remaining $25,000 of proceeds was allocated for both taxable years to be includible in income as a gain from the involuntary conversion of property used in the trade or business. Alternatively, the commissioner treated the entire $125,000 as gain on involuntary conversion for both taxable years, to be includible in income as a gain.

The tax court noted that Marcal's right to the insurance proceeds did not become fixed in fact or in amount until August 6, 1952, and were therefore not includible in Marcal's net income for its taxable year ended July 31, 1952. The $100,000 allocated to business interruption under the policy was ruled as includible in Marcal's net income for its taxable year ended July 31, 1953, as a payment in lieu of net profits. The $25,000 proceeds were held excludible from income, since it represented a compensated loss and did not exceed the basic value of the damaged property.

The court said that the principal issue involved in the case, stated in its simplest terms, was whether a part of the total insurance proceeds were allocable to a reimbursement of Marcal's lost profits. This was with reference to business interruption proceeds.

Marcal Denies Gain

In court, Marcal objected to allocation of the proceeds and held that the entire amount should be ascribed to the direct damage feature of the policy. While conceding that gain should be recognized to the extent that it did not expend all of the insurance proceeds to replace the damaged roll, Marcal contended that such gain was taxable only at capital gains rates. In support of these contentions, Marcal argued that Mutual Boiler well knew that Marcal had no real claim for business interruption. There had been no lengthy breakdown with resulting loss of production. Marcal knew that it had no legal ground on which to press for recovery under the business interruption portion of its contract. The damaged machinery was repaired and was functioning normally and that ended liability.

These arguments, the court held, were based on Marcal's assumption that its business interruption loss, and therefore Mutual Boiler's liability, were limited to those losses of profit which had been sustained at the time the claim was settled. In other words, Marcal assumed that if a claim is settled before it had time to sustain losses of profit, then, whatever recovery it receives from the insurer is a recovery for direct damage loss.

The court said these assumptions were faulty. Mutual Boiler's liability for business interruption was for actual loss sustained, not for actual loss sustained at the date the claim was settled. Therefore, in estimating the loss, it was necessary to consider prospective as well as actual or past losses. This requires not only comparisons of actual experience before and after the accident or damage, but also

estimates of probable future experience.

Marcal impliedly admitted that it would sustain some loss of profit in the future resulting from a shutting down of the paper machinery to remove the old dryer roll and to replace it with the new one. The court therefore had no doubt that some expected loss of profit was taken into consideration when the parties agreed on a compromise settlement. This agreement, in the court's view, meant that Marcal gave up a portion of its claim in exchange for a partial reimbursement from Mutual of both direct damage and business interruption loss.

The court was therefore satisfied that some allocation of the proceeds was necessary. Marcal was not bound by the specific allocation appearing in Mutual Boiler's records, since it did not approve the figures. However, the $100,000 business interruption, and the $25,000 direct damage allocation also used by the commissioner of internal revenue, seemed reasonable to the court in view of the age of the old dryer roll. In any event, it was incumbent upon Marcal to present evidence of some more reasonable allocation. Since it did not do so, the court approved the commissioner's determination.

The commissioner also maintained that the $25,000 direct damage proceeds should be included in Marcal's net income for the taxable year ended July 31, 1953, because Marcal continued to recover the entire cost of the damaged machinery through annual deductions for depreciation. Therefore, the $25,000 represented gain to Marcal. The court held that evidence did not support a finding of gain in this regard, and that Marcal suffered a loss through damage to the old dryer roll which resulted in a proper allocation of the $25,000 as direct damage payment.

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Employers Promotes Marois

Elmont J. Marois has been appointed assistant superintendent of the southern Ohio claim department of Employers Liability. He was previously supervisor of that department. He joined the company in 1941.

Estimate 1958 Traffic Deaths Down 1,500

Traffic deaths for 1958 were estimated by the National Safety Council at 37,000 deaths and 1.3 million disabling injuries. This is 1,500 deaths below the toll of 1957, a drop of 4%. The year 1958 was the second in a row to bring a saving of 1,500 lives in traffic.

The council's estimate of the 1958 toll is based on state reports for the first 11 months and a projection for the December toll.

A 3% decrease in highway fatalities in November returned the traffic accident pattern to a steady improvement that began two years ago and has been interrupted by only two monthly increases since November of 1956—a 4% rise in October, 1958, and a 4% increase in August, 1957.

The traffic death total for November, 1958, was 3,460, as compared with 3,570 in November, 1957.

The 11-month death total for 1958 was 33,230, as against 34,790 for the same period in 1957.

At the end of the first nine months of 1958 (latest figures available), travel was up 2% and deaths were down 6%. This produced a mileage death rate of 5.3, lowest on record for a comparable period.

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Lively In Ohio Field For New Hampshire

New Hampshire has appointed William H. Lively special agent in southern and western Ohio. He will assist Frederick E. Hill, state agent. Mr. Lively succeeds Robert R. Modery, who resigned to enter the local agency business in another state. Mr. Lively had previously been with Home since 1954, most recently as special agent in Ohio.

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National Bureau's filing of a revised term multiple of 2.7 for three-year accounts receivable and valuable policies was approved in Virginia, Dec. 17.

Crafts Comments On Cal. Commission Suit

(CONTINUED FROM PAGE 1)

changes in insurance have been many, both up and down, and until now have been accepted by agents as the act and wish of each company acting independently. Grievances of some of the members of California Assn. of Insurance Agents, he said, center around the belief that the rate increases earlier this year made necessary by the great jump in loss ratios of 1956 and 1957 should have been greater in order that the acquisition expense factor in the rate, in terms of percentage to premium, would have been continued without change. Fireman's Fund, he said, as an independent company, did not believe and does not believe that an increase in the cost of insurance to the public beyond that necessary and equitable would be in the best interests of the stock companies or agents.

He added that it is his opinion that if the industry could not continue to determine adequate and non-excessive charges following the historical pattern of many years free of exposure to anti-trust suits, there would be only one alternative and that would be to promulgate net rates. He expressed the hope that this would never be necessary, saying he does not believe it would be in the interest of the high standards of service the agency system has provided to the public.

The legal proceedings sponsored by the California Assn. of Insurance Agents has opened the question of the status of agency contracts of all companies with respect to commissions on all classes of business, Mr. Crafts noted.

He also expressed himself as being certain the agents' association has no desire to see the companies they represent continue to be exposed to substantial underwriting losses, nor does he believe the agents want to see the cost of automobile insurance increased to the point at which the public would be forced to turn to non-agency companies.

Mr. Crafts urged the agents of the companies mentioned in the suit to meet as independent contractors with the companies and discuss the grievances before further actions are taken.

"I am sure," he said, "that if that procedure were followed with respect to Fireman's Fund there would be no question whatever that all of the company's actions with respect to automobile commissions were independent and proper and that the continuance of legal proceedings would be useless and an unnecessary expense."

Agents Irked

Ever since the companies promulgated new auto rates in California earlier this year with a reduction in the acquisition cost factor, the agents have been up in arms, contending that the entire matter was in violation of the anti-trust laws because, the agents charge, commissions were reduced in a conspiracy on the part of the companies. If commissions are reduced on automobile in this manner, the agents have contended, there is no telling what will be next.

California League of Independent Insurance Producers, set up to bring the federal anti-trust action against the insurance companies for reducing automobile commissions, in its suit against the seven named insurers charges that "beginning sometime in 1957 and continuing up until the filing of this complaint, have continued knowingly and continuously in a conspiracy to fix and maintain arbitrary and non-competitive commissions to California agents and brokers for the sale of automobile insurance in restraint of inter-state trade and commerce."

Conspiracy Described

The conspiracy as described by the agents amounts to an agreement between the companies "to decrease the rate of commission and that they thereafter did decrease the rate of commission." This decreased rate of commission vexed the agents exceedingly, and for a number of months they have been sending out announcements about the suit they were going to file in federal court. The suit was filed at San Francisco Dec. 30, naming seven insurers and was brought in behalf of more than 100 direct plaintiffs and more than 360 assigners.

Among other things, the agents assert that the decreased commission was put into effect without prior negotiations between the companies and the agents, thus destroying the right of negotiation which the agents maintain they have always had. Further, competition among companies for the services of the agents has been impaired, it is stated, and free and competitive determination of commissions has been prevented.

Further, the agents complain, profits of the companies have been increased.

The complaint states that the amount of damage to each of the agents is not presently known, but the agents want to amend the complaint and set forth the damages after discovery proceedings have been completed.

The federal court is asked to find that the acts of the insurers are a conspiracy in violation of the anti-trust laws, and the agents should be allowed to recover three times the damages suffered by them in 1958. The agents also want to recover the litigation expenses and to receive other relief as the court deems just.

American Health Backs HIA Recommendations

Following a special meeting of Health Insurance Assn. at New York last month, William deV. Washburn, president of American Health of Baltimore, has called a meeting of his top executives and general agents of the company to implement the resolution adopted by the association.

The resolution advocates more rapid expansion of hospital, medical and surgical care for patients 65 and over, and recommends development of adequate health care coverage for retired workers and persons with impaired health.

Mr. Washburn stated that while his company already has in effect most of the association's recommendations, he will urge a complete review of his company's portfolio of coverages and underwriting procedures to determine the need for any necessary changes. He said that the intent of the resolution would not be served by just making available coverage features for all policies and coverage for previously hard to insure segments of the public, but would require the aggressive efforts of field forces. Writing health insurance voluntarily on an unsound basis is more than foolish, it's a good way to invite governmental entrance into the field, he observed.

Aetna Cas. Appoints Guy Mann Senior V-P

Guy E. Mann has been appointed senior vice-president of Aetna Casualty and Standard Fire. He will be responsible for all insurance activities of the two companies.

He has been with the organization for more than 32 years and as vice-president of Aetna Life affiliated companies has been in charge of the casualty division since 1955. He began in field sales work and later became manager of Aetna Casualty's Washington and Boston offices. In 1953 he went to the home office as assistant vice-president.

Ocean Tide Is Ruled Flood By Oregon Court

The Oregon supreme court has ruled that a rising tide on an ocean beach can be called a flood.

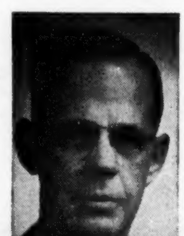
The court awarded a $1,612 settlement by Union of Canton to an insured whose tractor was stuck on an ocean beach and was inundated by the rising tide. The insured's policy defined flood as "rising waters."

Hartford Fire Stock Plan Receives Approval

Stockholders of Hartford Fire at a special meeting voted to increase capital stock by issuing up to 175,000 shares to be exchanged for outstanding shares of capital stock of Columbian National Life. The plan has been approved by the Connecticut commissioner.

Stuart MacLean Joins Landen Adjustment

Stuart O. MacLean has joined R. S. Landen Adjustment of Columbus, Ohio. He has been assistant secretary in charge of inland and ocean marine and aviation of Western Adjustment.



S. O. MacLean

Mr. MacLean is the author of "Inland Marine Loss Principles and Practices" published by the National Underwriter Co. He will mark his 30th year in insurance in 1959.

Named By Lloyds Brokers

Lumley, Dennant & Co., New York, U.S. affiliate of Edward Lumley & Sons, Lloyds brokers, have appointed George F. Redfield assistant manager at Hartford, effective Feb. 2. He has been with Connecticut insurance department for five years.

Publish Handbook For Me., N.H. And Vt.

A new Underwriters Handbook of Maine, New Hampshire and Vermont has just been published by the National Underwriter Co. It provides complete and up-to-date information on the agencies, companies, field men, general agents, groups and other organizations affiliated with insurance throughout these states. Copies of the new Maine, New Hampshire and Vermont Handbook may be obtained from the National Underwriter Co. at 420 East Fourth street, Cincinnati 2, Ohio. Price $12.50 each.

New Commissioner Hears Tenn. Rate Case

The Tennessee department conducted a three-day hearing in Nashville on the application for increased automobile liability and PHD rates. A new commissioner, Leon Gilbert, presided. He is an attorney, though not a practicing one, and has been on the state power commission. Most of his business life has been spent in the real estate business in Nashville, and he is said to hold an insurance agent's license. He was appointed by the outgoing governor to fill the unexpired term of Arch Northington. Mr. Northington, who was president of National Assn. of Insurance Commissioners, resigned after approving the rate increases and then suspending the approval and calling a hearing. Some 110 municipalities protested the increases.

The increases under review at the hearing were those filed by National Bureau of Casualty Underwriters and National Automobile Underwriters Assn. Increases filed by Mutual Insurance Rating Bureau were disapproved by Gilbert by telegram last week.

Seek Investigation

As the Tennessee legislature opened coincidentally with the rate hearing two senators introduced a resolution that calls for an investigation of the insurance department by a committee of five senators to see if the law needs changing "to protect the public against unwarranted and unnecessary rate increases."

Chief witness at the hearing was James M. Cahill, secretary of National Bureau. Jack Norman, attorney representing Nashville in its protest against the 23.7% increase in liability rates asked for individual company financial statements. Mr. Cahill replied that the bureau keeps its statistics in accord with state law which does not require individual financial statements. When Mayor West of Nashville asked that the application for an increase be dismissed because Mr. Cahill could not supply the financial statements, Commissioner Gilbert overruled him.

To Honor St. Louis Newsman For Best Story

A move to honor the St. Louis newspaperman who wrote the best article or series of articles during 1958 on insurance or related subjects has been initiated by Insurance Board of St. Louis. The winner will receive a plaque accompanied by a check for $100 at the installation banquet of the board, Jan. 26.

Officers of the organization will select the article or series and will invite the author along with his publisher to the banquet.

Paul Hammel, NAIC V-P, Stricken By Heart Attack

(CONTINUED FROM PAGE 1)

see commissioner in a political dispute over automobile insurance rates. Mr. Northington was president of the National Assn. of Insurance Commissioners, and Mr. Hammel is vice-president.

Under NAIC rules, the vice-president does not move up automatically when there is a vacancy. The president must be elected by the executive committee, and it is understood that the executive committee, of which Sam Beery of Colorado is chairman, is taking no action at this time in order to determine the extent of recovery of Mr. Hammel and whether he will have to announce any diminution of his work load.

La. Explosion Loss Is Estimated In Millions

A loss variously estimated between $4 and $14 million will result from the recent explosion of an unfired pressure vessel at the Geismar, La., plant of Wyandotte Chemical Co.

According to reports, the explosion was due to failure of an oxygen valve on the tank inlet. The loss is covered for direct damage and for business interruption under both the boiler and machinery and the fire policies. Daily indemnity is reported to amount to $35,000 under the two coverages.

Ala. General Dissolves

Alabama General is being dissolved by order of the circuit court at Montgomery. The company has been in receivership since November, 1957, when it became insolvent. It was organized in 1955 by leaders in Gov. Folsom's administration.

The receiver requested the dissolution for tax saving purposes.

Slate St. Louis Board Officers For Reelection

ST. LOUIS—The nominating committee of Insurance Board of St. Louis, Oden D. Prowell, chairman, has recommended that the present officers be reelected at the business meeting Jan. 20. The nominees are: Chairman, William R. Dunham; president, John Brodhead Jr.; vice-president, Charles W. DeWitt; secretary, Harry Bishop, and treasurer, James O. Holton Jr.

American Equity group, which consists of Reliable and the U.S. branch of Swiss National, has been elected to membership in the Assn. of Casualty & Surety Companies.

Subscription Policy Is Money, Work Saver

(CONTINUED FROM PAGE 2)

trophe in the future. Agents and companies who went through this ordeal fully realize the non-productive expense and personal anguish this involves. We eliminated our one loss producing class of business, set up premium quotas for each company based on their available lines on large accounts we need and their value to the agency. (In order to write in our office, we feel our smallest line companies need $30,000 to $40,000 annual premium volume due to the high valued risks and across the board selling we attempt to do.) We also began lining out all of our accounts hoping that over the years each company would end the year with results approximating our desirable office loss ratio and would also reach the premium quota we have set. If this sounds easy—believe me, it isn't.

Instead of one company or three on a line, we now have four to twelve—depending upon values, class of business and probable maximum loss. We took the initiative in this program; for any good agent today should realize his company's future is the same as his own. More recently, company underwriters appear to be authorizing on a percentage line basis so that those agents not lining out previously are now forced into this procedure. We are in complete agreement with the goal this is to achieve—companies sharing proportionately in good or occasionally poor office experience, but the expense can kill us. To answer why this is true, one need merely watch our policywriters type and paste forms on each of the 19 or more five-year payment plan policies on the many $1½ to $2½ million accounts we have; or on the relatively lower valued but more highly damageable accounts, which also must have sensible lining. Accounts of this nature need annual review and this often results in policy changes and endorsements on the same maze of contracts. Annual billings, recording on line cards, and filing operations are multiplied. Most of us realize the problem our accounts have in maintaining even one contract, but when we think of 19, the problem can be appreciated. The sales advantage is great, but this is merely a by-product of the advantages subscription has. We do have agency reinsurance, but our company field men seem to have as much difficulty with it as we do. Agency reinsurance does nothing for expense reduction, it increases it for us and the companies alike.

What will the subscription policy method do?

Lists What Method Will Do

1. Cut policywriting expense more than 50%. (Ex: Two typing operations on a 12 company line.)
2. Reduce audit bureau expense on the same basis, with only one contract to audit.
3. Give agents more time and money for loss prevention activities and new business sales to reduce losses and increase income.
4. Provide a reasonable and workable vehicle for percentage underwriting, all companies sharing in agent's good fortune and occasional loss year.
5. Provide a reasonable means to fulfill company premium quota setup on fact by the agent.
6. Eliminate increasing demand for single contracts which necessitate expensive facultative or street reinsurance placement by companies.
7. Simplify loss adjustment—company participation on one record, by percent.
8. Eliminate costly agency closure which seems to result when one or two companies are on the excellent risk which goes for a total loss.
9. Automatically provide underwriting data as to total line and other companies on a risk with amounts. (Eliminates company correspondence in this regard.)
10. Eliminate adverse placement with one company—provide equitable sharing of the inevitable accommodation and grade A business alike.
11. Enable each company to share building, contents, U&O, etc., without excessive policy unit production.
12. Give the clients who pay the premium the one contract they desire and are entitled to receive.
13. Prove to agents that company officials were sincere in their public assertions about expense reduction and are flexible enough to make reasonable changes which are warranted.

Company objections:

Some time ago we read in THE NATIONAL UNDERWRITER a statement by a company official that (1) companies would lose their identity, and (2) companies would lose their underwriting control if the subscription policy were adopted.

As far as company identity is concerned, the names of the companies and percentage of participation would still appear in the subscription contract. During six years of new business calls with an average of four per day, however, I seldom found a prospect who knew who his insurance company was—the account was identified with an agency. Therefore, we question the validity of this argument as it pertains to the insurance buying public for seldom do they ask for a specific company. Company identity to agents—their sales force, is all important as long as the companies plan to use the American agency system for distribution. The loss of identity to the public because a company's name is not spread across one of 19 contracts we deliver to an account is very questionable. Although subscription has been accused of many things—loss of use of the press or advertising has not been one of them.

Underwriting control would not change since copies of certificates would still go to each underwriting company on the line. It would appear that these copies could be typed at the same time as the original contract, reducing separate typing operations which could be as many as 13 or 15 down to one. Agents would still be bound by their company binding

Youngberg Jr. Heads Youngberg-Carlson Agency

Arthur C. Youngberg Jr., has resigned as promotion director of the Chicago Daily News to become president of Youngberg-Carlson Co. agency of Chicago. He succeeds his father, Arthur C. Youngberg, who died Dec. 2.

Mr. Youngberg has been associated with the agency in various capacities over the years, most recently in 1948-51. He is a graduate of Insurance Institute of America; Aetna Casualty school, and the University of Chicago management development seminar.

agreements as regards line authorizations. Underwriters would merely have more data on which to determine the percentage they want to participate. No one has or can reasonably ask for a set percentage of participation across the board—each large risk must still be considered on its own merits and participation by company will vary by account. Agents should expect to assume responsibility for typing these contracts.

One company states that large agencies might find subscription policies attractive but that all agencies would want to use it. Although our agency is one of the largest in this area, we prefer to think that our companies are intelligent enough and have sufficient control to determine which agencies need subscription. As under new forms of cover when it is said it would "be good for select accounts, but we don't dare provide it for agents who would use it promiscuously"—we are saying our company underwriting intelligence and control are worthless, and this is not true! Replacement cost coverage proves that underwriting and management control can work, for it is available, but not for the undesirable risk.

Too many in company and agency ranks have given in to past frustrations or are just unwilling to consider new methods that will change the old horse and buggy. I sincerely hope and feel that there will be several clear thinking company executives who can see the logic behind subscription (and combining forms wherever possible, such as the U&O and property damage forms in California)—that they will galvanize into action to make our partnership expense reduction and all of its advantages a reality.

Program Announced For Fire Conference Of Mutual Cas. Companies

Conference of Mutual Casualty Companies has announced the program of the annual fire conference, Feb. 5-6, at Conrad Hilton Hotel in Chicago. James P. Maltman, American Mutual Re, is program chairman.

Speakers and subjects for Thursday's sessions will be Darrell L. Achenbach, Country Mutual, "It Looks That Way from Here;" Robert B. Taylor, Mill Owners Mutual, moderating a panel on "Personal Lines Underwriting," members of which will be John F. Zimmer, Capital Mutual of Lincoln, Frank F. Fowler, Federated Mutual Implement & Hardware, L. E. Benson, Mutual Service Casualty, and Richard D. Hariman, Auto-Owners; Joseph P. Gibson Jr., American Mutual Re, "Physical Damage Insurance on the Atomic Risk."

Friday morning Howard F. Russell, Improved Risk Mutuals, will speak on "Underwriting the Commercial Risk," and J. H. Laidlaw, Minnesota Farmers Mutual, on "Reinsurance."

Employers Liability Names Smith In South

Employers Liability has appointed Lloyd G. Smith Jr. resident manager of the southern department. He succeeds Hubert L. Blackwell, who has retired after 33 years with the company. Mr. Smith joined Employers Liability in 1941 as special agent in North Carolina. He was later chief casualty underwriter for the southern department and in 1951 was named manager of the Carolina branch.

Pittsburgh I-Day Set

Pittsburgh I-Day will be held March 10 at the Penn Sheraton Hotel. Alfred M. Battistini, Hartford Accident, is general chairman with J. E. Hartmann and W. C. Irvin, local agents, as associate chairmen. Mr. Hartmann is also reception chairman.

Davis, Secretary Of Nevada Agents, Resigns

Chester Davis, executive secretary of Nevada Assn. of Insurance Agents, has resigned to become full-time secretary-manager of Nevada Surplus Line Assn., for which he previously has served part-time. Marga Anderson will succeed Mr. Davis with the agents' association, and new offices will be established at Reno.

Cooper Retires From Sun

William S. Cooper, assistant secretary of Sun, has retired after 24 years with the group. He has been in charge of the compensation and liability department.

He entered the business in 1912 and was with Aetna Casualty, Phoenix of London and U.S. Casualty before joining Sun.

To Liquidate Internatl. Guaranty

Commissioner McConnell of California has appointed C. J. Weise, examiner, special deputy to liquidate International Guaranty & Insurance, following issuance of a liquidation order by the San Francisco superior court.

Washington, D. C., Assn. of Insurance Agents heard Victor O. Schinnerer, past president, speak at its January luncheon meeting. He is president of Washington Board of Trade.

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